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EDITORIAL

As We See It

Not long after the New Deal was established in Washington, the author and finisher of that faith remarked that "a new moral climate" was developing in this country. There was at the time a great deal of resentment — sometimes quite well warranted—stemming from what had gone on during the New Era. The malpractices which had been revealed as having taken place in various sectors of private life—most conspicuously in certain phases of the financial life of the country—seemed to call forth the utterance. It was all this which had given popular support to extensive and drastic New Deal regulatory legislation which was to render all the people honest all the time from that moment onwards.

It is both interesting and disheartening to observe what has taken place since, and the obvious status of things at present. It is disheartening chiefly because up to this moment at least there is so little definite indication that the great rank and file have developed any really effective interest in corruption in high places, or any definite determination to do anything about it. It is disheartening also because lack of moral fiber is now so evident among the very elements in society which were so eagerly at work in the early and middle 'Thirties to devise and enact legislation to abolish undesirable conduct among private citizens. If there exists today less of the kind of abuses which accompanied the inflationary orgy of the 'Twenties, the improvement is certainly not to be attributed to the example set by the politicians or the office holders who

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The Administration's Frustrations and Failures

By MELCHIOR PALYI

Dr. Palyi reviews frustration suffered by Truman Administration from events and developments in economic and international affairs. Says frustration without end is to be American taxpayers' lot, and fact should be recognized that our commitments are unlimited. Predicts coming of Winter and Spring will bring decision whether our policy of global commitments is to be carried to national bankruptcy or be compressed to rational proportions.

I

The most frustrated people in this country are the price controllers. With that certainty of knowledge which is the privilege of the high bureaucracy, they predicted bottlenecks and run-away prices by September. Their disappointment is conducive to melodramatic outbursts. Charles E. Wilson (formerly of General Electric, presently Number One bureaucrat) gives vent to his frustration by uttering threats to the steel industry and predicting dire shortages by next Spring. Sooner or later, such prognostication is bound to turn out right —when the prognosticators have the power to turn it that way.

Dr. Melchior Palyi

The Controllers are hampered by Congress, too. The Capehart and Herlong amendments to the new Defense Act — under fresh scrutiny in the House—cramp their style. As a matter of fact, the bureaus say, price controls are now virtually unworkable. How to figure out manufacturers' ceilings when overhead costs have to be taken into account and the law does not even say exactly which way? How can one squeeze the retailers into "stable pricing" if their mark-ups are to be preserved while costs are rising? And costs must keep rising when taxes are being raised and "retroacted," wages automatically boosted, farm prices propped up, vital machine tool and copper pro-

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Burning the House Down To Keep Warm

By HARLEY L. LUTZ*
Professor Emeritus of Public Finance, Princeton University
Tax Consultant to the National Association of Manufacturers

Attacking cheap money policy of the Treasury as violation of ordinary principles of business and human behavior, Dr. Lutz compares it to "burning down the house to keep warm," since it is more costly to Treasury and nation than unpegged money market. Looks for more deficit financing and points out defects in current tax bills. Condemns reliance on income taxes, and says objective of enforcing "income equality" is impossible. Analyzes sources of proposed tax increases and advocates a general consumption tax.

Whenever we see a person, or a nation, sacrificing a great long-range good for a cheap, temporary advantage we say it is like burning down the house to keep warm. My illustrations of this folly are taken from the field of the government's finances.

Dr. Harley L. Lutz

One illustration involves the cheap money policy that is always used in an emergency. It was applied during the Civil War and in World War I. We have had a continuous plague of it over the last 18 years because, according to the Administration's definition of an emergency, this period from 1933 to date has been one of continuous emergency. By the cheap money policy I mean the decision of the Treasury to borrow at artificially low rates of interest and to prevent the low-interest bonds from falling below par in the market by "pegging" bond prices.

The argument used to justify this policy has been that payment of interest rates consistent with a free money market would add greatly to the tax

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*An address by Dr. Lutz before the New York State Federation of Women's Clubs, New York City, Sept. 26, 1951.

MADE YOUR SPACE RESERVATIONS YET?—Today marks the closing day of the Annual Convention of the National Security Traders Association at Coronado Beach, Calif. There's still time, however, to make reservation for advertisements to appear in the "CHRONICLE'S" Special Convention Issue.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Collins Radio Company, Common—Philip L. Carret, partner, Granbery, Marache & Co., New York City. (Page 2)

United States Potash—T. Reid Rankin, R. M. Horner & Co., New York City. (Page 2)

PHILIP L. CARRET

Partner, Granbery, Marache & Co., Members, N. Y. Stock Exchange, New York City

Collins Radio Co. Common

I am taking as my definition of the phrase "My Favorite Security" what seems to be the simplest interpretation, namely, a security with a reasonable potential of outperforming the market in the next few years. With this in mind I have chosen the common stock of Collins Radio Company.

Philip L. Carret

Collins specializes in highly technical communication and navigational apparatus used principally in and for military planes. So important is the Collins equipment that not only is it being installed in all new planes, but it is reported also that all existing military and naval planes will be thus equipped as soon as possible.

As a consequence of this high regard for the company's products, Collins' backlog, which has risen $100 million in the past year, continues to grow. It is currently reported to be in excess of $150 million. Shipments have recently expanded sharply and are now understood to be at the $4 million monthly rate with the $5 million level soon to be reached. A further rise in the shipment rate can be anticipated later as capacity is in process of enlargement.

During World War II, peak rate of shipments was $5,000,000 a month. At the presently increased level of prices and with greatly expanded factory facilities, a higher level of output can obviously be expected.

The Collins management does not consider that this huge increase in business on the books is merely a reflection of the rearmament boom. A far-sighted policy of emphasizing research and development was adopted after V-J Day and a considerable part of the current backlog is attributable to demand for improved and wholly new products which would have been ordered even under normal conditions.

The size of the present backlog is a tribute to Collins' engineering, research and far-sighted management. However, there is no reason to believe that the backlog has by any means reached its peak. Air force requirements are steadily being expanded and the trend in electronic equipment is toward more complex and expensive units.

A prudent policy of meeting the current demand has been adopted. Expansion of facilities is taking place largely in leased quarters in Cedar Rapids and Dallas. New machine tool purchases and other capital expenditures are being made on the basis of rapid amortization through certificates of necessity. Loan agreements are coordinated with this program and "progress payments" assure reimbursement for costs without undue strain upon the working capital position.

In the past Collins Radio directors have followed an ultra-conservative dividend policy. The management recognizes the legitimate desire of stockholders for dividends however, and reasonable recognition of this demand is expected at an early date.

The company's capitalization consists of 310,116 shares of common stock preceded by only a small issue of preferred (17,025 shares of $2.75 Cumulative Preferred, $47.50 par). The common currently sells in the neighborhood of $16 a share, which would give the issue a total market value of about $5 million. This figure is less than 4% of the backlog and not much above current monthly shipments.

While it is not feasible to engage in detailed speculation as to what the company's net profit margin will be on its booked business, it might be noted that in its two biggest war years, 1944 and 1945 — when sales were respectively $47.3 million and $43.5 million—the company was able to bring down to pretax income better than 8%. Even a 2% return after taxes on $60,000,000 annual volume would yield nearly $4 a share on the common. The stock would appear to have outstanding merit, especially in view of the possibility of larger backlogs and stepped up shipment rates.

T. REID RANKIN

R. M. Horner & Co., New York City

United States Potash

I appreciate the opportunity to write a few words about the "Security I Like Best" at this time. However, with the Dow Jones Industrial Averages at a 20-year high the task is much more complicated than last year when I selected American Cyanamid Common at approximately $70 per share.

T. Reid Rankin

With our economy stimulated by huge defense spending and the resulting inflationary implications it seems to me that one of the important things to consider in selecting a security is — Does the company operate in an industry not dependent upon defense orders? Is the company in an industry whose principal product is a basic raw material?

The United States Potash Company qualifies under both questions. Potash is one of the world's most important minerals. Muriate of Potash is an essential fertilizer base. In addition, potash serves as an essential constituent of many chemical compounds important in the manufacture of soaps, paints, pharmaceuticals and explosives. It is used in the production of certain metals such as aluminum and magnesium.

Every crop that is harvested robs the soil of some of the mineral elements essential to plant growth. Mixed fertilizer is the best way to return those elements to the soil. A large percentage of the potash produced by the company is sold to the fertilizer industry where it is combined with nitrates and phosphates, and sold to the farmer to help produce bigger and better crops. Without potash we could not grow our record crops.

United States Potash Company started actual operations in the depth of the depression. By 1930 the company began to sink its first shaft, and from that time on steady progress and growth have continued. In 1936 the first dividend was paid to those who had for eleven years put up tremendous sums of money for development and operation. From 1938 to the present time, the company has continued to increase its dividends on the common stock.

The main office of the company is located in RCA Building, Rockefeller Center, New York City. The refinery was built near Carlsbad, New Mexico, on the Pecos River to insure a sufficient water supply and the mine is located nearby. The refinery is on land owned by the company and the mine on lands owned by the Federal Government. The company holds an indeterminate lease and a contract signed in 1950 fixes the royalty rate for the next 20 years. Estimates indicate that there are still between 12 and 16 million tons of potash salts in the mine, enough to assure operations for many years.

Growth has not been spectacular. Steady, consistent progress in building sales has been the history. From a comparatively small sales volume of $2,493,610 in 1936, the company had an all-time high volume of sales amounting to $12,714,000 in 1950. During this period when net income increased from $827,961 to $3,286,399 the company wrote off over $5,945,000 in depreciation and reserves.

The accompanying table indicates the consistent record of growth.

For the first six months of 1951 sales were $7,232,000 against sales of $5,598,000 for 1950 and from all indications 1951 will make new records. One very favorable factor is that over a period of years the management has been able to bring down over 20% of sales into net income.

The capital structure consists solely of 1,050,000 shares of common stock. Of this approximately 31% is owned by Borax Consolidated Ltd., the balance by nearly 4,000 individuals, educational institutions and trust funds.

Financial condition continues strong. Cash and Government securities on December 31, 1950 aggregated $4,273,620, and exceeded current liabilities of only $2,344,066. Net working capital of $3,520,473 and total assets of over $13,000,000 attest to the ability

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Year End. Dec. 31	Net Sales	Net Income	Per Share *Earnings	Per Share *Dividends
1950	$12,714,400	$3,286,399	$3.13	$1.75
1949	11,175,892	2,753,890	2.62	1.70
1948	10,904,325	2,960,020	2.82	1.70
1947	10,329,210	2,933,252	2.79	1.60
1946	9,109,381	2,743,859	2.56	1.50
1945	8,039,063	1,644,880	1.49	1.25
1944	7,278,260	1,958,475	1.79	1.12½
1943	7,249,718	1,925,633	1.75	1.37½
1942	6,156,290	1,514,887	1.35	1.25

* Adjusted for 100% stock dividend in 1946.

Developments in Chemicals And the Drug Industries

By JEREMY C. JENKS*
Manager, Investment Research Department,
Cyrus J. Lawrence & Sons, Members, N. Y. S. E.

Predicting in next year or two, there'll be a one-third increase in physical capacity of our chemical industry, President of N. Y. Society of Security Analysts, Inc., looks for larger consumer demand to absorb the resulting expanded production. Foresees further growth over period of years, but warns there may be over-expansion in some products. Concludes, despite recent advances in price of chemical shares and prospect of higher taxes, many investors will continue to be attracted to chemical stocks, because of long-term growth prospects.

My remarks this afternoon are divided into two principal sections. First, I will discuss the short-term factors affecting the outlook for the chemical industry and, secondly, I will discuss in more general terms the longer term outlook.

Jeremy C. Jenks

As is generally known but perhaps not fully appreciated, the chemical industry is in the middle of perhaps the largest and most aggressive plant building program that has ever been undertaken by this industry and one that will compare favorably with similar efforts of other industries. Of the approximately $9 billion of certificates of necessity so far granted about 20% is for expansion of basic chemical products capacity. Based on this data and other information, it is beginning to appear as if over the next two or three years there will be about a one-third increase in the physical capacity of our chemical industry.

The moratorium on new tax amortization certificates has raised some doubts as to a portion of the chemical industry's plant expansion program. Some leaders in the industry have said that in face of the present high taxes and high building costs they cannot go ahead with expansion programs unless adequate certificates of necessity permitting rapid amortization are granted. An equally important determinant of the amount of chemical plant to be built over the next several years by the industry is the availability of steel, other construction materials, construction workers and special chemical process equipment. Of course, some companies have been foresighted and have provided against such shortages and already have very large plant expansion programs well under way. Dow Chemical, for example, is currently building new plant facilities at a rate of about $10 million per month. At Dow's Texas plants, for example, some 7,000 construction workers are currently engaged in building more capacity for chlorine, styrene and other chemicals.

While we do not as yet know the final provisions of the new corporate tax law, I would hazard a guess that chemical earnings have passed their peak for a while. Third and fourth quarter comparisons will not make as cheerful reading as recent quarterly reports for most chemical companies. Because there was some slack capacity in the chemical industry a year ago, most companies were able to step up sales sufficiently following the outbreak of Korean hostilities to approximately offset the 1950 increases in taxes to a maximum of 62%. At the present moment, the industry is operating near capacity and a further increase in sales will have to wait on the completion of new plant facilities.

Similarly, profit margins before taxes improved quite generally over the last year, following the substantial increase in sales that has occurred. Part of the increase in profit margins reflects higher prices for some chemical products, but perhaps more important has been the high rate of operations and the resulting efficiencies. From this point on it may be very difficult for the average chemical company to further improve the pretax profit margin and, if anything, pretax margins may decline moderately. It should be mentioned, however, the effect of price control has, as yet, not been especially burdensome to the chemical industry.

Accordingly, if Congress votes a 68% or 70% maximum excess profits tax, as seems likely, the increased tax will come mostly out of net earnings. The result will be that earnings for the industry in 1951 will decline below the 1950 level. If Congress should vote to make the new tax retroactive to Jan. 1, some companies would have to accrue taxes at a 75% rate or even higher in the last half of the year to make up for the under accrual in the first half. Tax accruals in the first half by individual chemical companies varied a good deal. Most companies accrued taxes at a rate near the 62% maximum. However, a few, notably du Pont and Rohm & Haas, accrued taxes at about a 70% rate including reserves for renegotiations. Many observers of tax developments are hopeful that at the worst the new rates will be retroactive to April 1 and possibly only to July 1. Until we

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*An address by Mr. Jenks before the Association of Customers' Brokers, New York City, Sept. 25, 1951.

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The Coming Impact of Defense Program on the Civilian Economy

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Pointing out the underlying inflationary forces are already at work, Secretary Snyder warns that in coming months the civilian economy will inevitably feel full impact of the intensive phase of the rearmament program. Stresses responsibility of bankers in preserving a stable economy and urges bankers and bank supervisors to scrutinize all loans carefully. Warns bank capital in relation to risk assets is lower than ever before, and calls for building-up of capital accounts. Pleads for support of Government's savings bond drive.

In the fight to preserve a stable economy, the banking industry holds a front-line position. As the principal suppliers of credit, the banking industry has a grave responsibility to shape its loan and investment policies toward assuring the financial soundness of our national economy.

John W. Snyder

A primary requisite now is to hold unnecessary borrowing to a minimum. As the defense effort broadens—and it is expanding rapidly now—the volume of bank loans needed for defense uses may be expected to rise. It s essential that our defense industries be provided with the necessary capital. But as defense loans increase, loans for less essential civilian purposes must be reduced if we are to avoid the inflationary consequences of an over-expansion of bank credit.

You are no doubt aware that total bank loans in the 12 months ended June 30 showed the largest increase ever recorded for a comparable period—an increase of $12 billion in a single year. Some of this borrowing was basically of a speculative nature.

As experience has demonstrated, when prices are rising and business profits are high there is often a tendency to assume that those trends will continue. Both borrowers and lenders are inclined to evaluate the high profits as if they are more or less permanent. Under such conditions, nearly everyone wants to borrow money in order to buy something, build something, or expand his business. This human tendency has undoubtedly been responsible for a substantial part of the great loan expansion of the past year. When everyone has the urge to borrow, there is probably more than usual danger that bad loans will get into bank portfolios, since lenders are likewise affected to some extent by the same over-optimism.

The buying boom of the past year has brought new problems in appraising the soundness of loan collateral. This responsibility of the banking system is made much more difficult this year by the many uncertainties in the present business outlook. The conflict between deflationary factors in some parts of the civilian economy, and inflationary forces arising from the defense program, creates an unusual variety of risks. Inventory losses may be suffered by some businesses, where demand has suddenly fallen off or prices have dropped sharply, while other businesses may reap unusual profits. Under such circumstances, an unusually careful selection of loans and a diversification of risks is clearly called for.

Warns of Low Bank Capital

The responsibility of bank supervisors is increased by the fact that bank capital in relation to risk assets is lower than at any previous time in the past two decades. The proportion of capital accounts to risk assets last Dec. 30, for all insured commercial banks, averaged less than 18%. This compares with a prewar figure of over 27% in 1939.

I have spoken of some of the increasing responsibilities which are falling on the banking system in assuring the effective functioning of our great defense effort. You, as bank supervisors, can do much to bring to the many bankers with whom you come in contact the vital importance of their participation in this effort. Moreover, you can point out to them how they, by accepting their responsibilities, not only have an opportunity to serve their nation but at the same time have unusual opportunities for strengthening the future security of their own banking institutions.

The present financial situation offers an opportunity seldom equalled for improving a bank's loan position.

Secondly, conditions have become more favorable for building up bank capital, both through retention of earnings and through sale of capital stock. Bank operations recently have profited from the high demand for loans, and banks generally are now in a very favorable position for building up capital funds. Gross earnings of all insured commercial banks have been climbing since 1938. They amounted to over 8% of capital accounts last year, a figure exceeded only during the war years.

Capital accounts have, in fact, been expanding steadily since before the war, but the increase has not kept pace with the rise in risk assets. Last year, capital accounts of insured commercial banks increased by $632 million, the major part coming from additions to surplus. But risk assets in the same period rose by more than $11 billion.

Deposit insurance should not be regarded as a substitute for adequate capital. The fact that the present low capital ratio is close to those at the top of two major speculative credit booms should warn the banking system of the need for rebuilding capital accounts.

A third opportunity for banks today lies in the better prospect of encouraging savings during this period of full employment and high incomes. Department of Commerce estimates indicate that personal saving in the second quarter of this year increased by a greater amount than in any quarter since 1945. While this may have reflected an unusual situation, there is little doubt that savings are easier to accumulate today than they are likely to be in more normal times.

Our defense bond campaign this fall, with its nation-wide advertising program, is doing a great deal to make people "savings conscious." Our objective, as you know, has been not merely to sell savings bonds, but to promote the habit of thrift. The tremendous increase in all forms of personal savings during the past ten years, I believe, has reflected in part the effectiveness of this program.

In our present campaign, we are stressing the fact that a period of high economic activity like this, when incomes are high and nearly everyone has a job, presents a golden opportunity to every individual to accumulate a financial reserve.

The development of a habit of systematic contributes to economic stability in both booms and recessions.

A Better Trained Banking Personnel Needed

There is one other matter in which banks might well take better advantage of their present opportunities. That is in developing a better trained personnel. To raise the level of understanding of banking and financial matters among bank employees, I believe, would not only be worth money to the individual bank, but would benefit the entire banking industry.

Bank supervisors can have considerable influence toward such improvement. Excellent work is being done today in providing advanced training by such institutions as the American Institute of Banking, the Rutgers Graduate School of Banking, the University of Wisconsin School of Banking, the Pacific School of Banking, as well as by various others. An increase in demand for such facilities would undoubtedly give rise to many more schools throughout the country designed to meet the special needs of bank employees.

Modern day banking calls for a working knowledge of many aspects of economics as well as finance and business. Probably no one problem is giving our bankers more concern today than the related problems of inflation and deflation, particularly in view of their importance in bankers' decisions on investment and loan programs.

For instance, today, on the one hand, we read in the papers that commodity prices have fallen; that warehouses are bulging with inventories; that retail buying has fallen off; that stores are having difficulty moving their stocks; that lack of demand has caused cutbacks in consumer goods production; and that these and other indications point to a deflationary situation.

On the other hand, we are warned that the situation is actually inflationary, and that the important thing is to look ahead to shortages of consumer goods when the defense program gets fully under way.

The surprising thing is that both of these statements are largely true. When consumers and distributors over-bought last fall and early this year, in fear of imminent shortages, they overlooked two important things; the length of the tooling-up period required for defense production, and the immense productive power of American factories. The prices that were forced too high are now being adjusted, and the goods that were bought in excess of needs are being digested, while consumer buying lags.

But the underlying inflationary forces are already making themselves felt. Despite all the talk about current deflationary pressures, the broad wholesale price index of the United States Department of Labor — made up of nearly 900 commodities — has declined no more than 4% from its extreme peak, and has shown practically no further decline since July. Very definite and positive inflationary forces account for this firmness in the price index.

Personal income is steadily rising, while the production of civilian goods, to be bought with this income, is affected by increasing restrictions on the use of critical materials needed for defense. Rapidly expanding defense expenditures have shifted the Federal Budget heavily to the deficit side, even on a cash basis. Bank credit, after leveling out for several months, has again started to expand. Business loans, real estate loans, and "other" loans of weekly reporting member banks, in recent weeks, have all reached new record high levels.

The effect of these pressures on prices and living costs may be held back for a time, however, while present excess supplies of various consumer goods are being liquidated. But the most intensive phase of our rearmament effort lies ahead of us. In the coming months we will inevitably see an increasing impact of military production on the civilian economy—a situation in which inflation thrives. Under the existing revenue tax laws, not including the tax bill being considered by the Congress, a budget deficit of about $10 billion is indicated for the current fiscal year. In the following year, with current tax rates, the deficit may be twice this figure, or more, under the present schedule for defense expenditures.

A Government deficit, of course, means that excess funds are being added to the spending stream. If the individual funds are spent, prices will be bid up, and another round of inflation will get under way. If the money is saved, price advances may be forestalled, and the funds will be available for spending later over a more extended period.

*An address by Secretary Suyder at the Fiftieth Annual Convention of the National Association of Supervisors of State Banks, St. Louis, Mo., Sept. 27, 1951.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the nation as a whole again showed a mild increase the past week and output of both military and civilian goods continued to surpass that of a year ago.

For the month of September industrial production held just about at the levels of August, the Federal Reserve Board estimated, according to its monthly review of United States business conditions.

This was above the July rate, but below the average for the first six months of the year.

The board's index of industrial production in August was 218% of the 1935-39 average and compared with 213 for July and a 222 average for the first half. "Preliminary indications point to little change in September," the board said.

The board noted that September steel mill operations were scheduled at 102% of capacity, as compared with a 98.5% rate in July and August, but output of copper, aluminum and some non-ferrous metals was down in September.

Department store sales showed a "less than seasonal rise" during the first three weeks of September, the board reported. However, it said, auto sales were stimulated early in the month "by prospects of price advances."

Wholesale commodity prices have generally shown little change since mid-August, the board added, reporting that bank credit rose "moderately" during August and the first half of September, reflecting some seasonal borrowing by business.

For the latest reporting week a slight decline in initial claims for unemployment insurance was noted, with defense plants continuing to show expansion in their payrolls.

In the past week steel ingot production advanced almost a point, while automotive output reflected fractional improvement for the week but was, however, close to 28% below the like period in 1950. With the passing of very humid weather electric output reacted by tapering off from its recent high level.

Basic changes may soon be made in the Controlled Materials Plan, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade. The National Production Authority may alter the plan as a result of suggestions which will come from steel industry advisory people soon. These suggestions will reflect studies of steel officials who helped work out both World War II CMP and the present one.

Defense heads and steel executives discussed this—plus the need for more steel in the first quarter of next year—in Washington last week, this trade authority notes. Unless distribution of available steel improves in the first quarter, higher ingot output won't mean a corresponding increase in finished steel for urgent needs.

Improvement is on the way, this trade paper asserts, if the Defense Production Authority analyzes its actions and acts on advice it will get from people who know the steel problem forward and backward. This means better screening of claimant agencies' demands. It also means tougher decisions as to who should get what steel and how much.

One big plate consumer has been unable to book 35% of its CMP plate tickets for the fourth quarter. It was assured by both NPA and Petroleum Administration for Defense that mill space would open up as a result of cancellations forced by cutback allotments. As yet, there is no sign of significant tonnage having been cancelled.

Last doubts about the future status of steel conversion have been removed. Office of Price Stabilization has decided additional conversion (above that during base period) is a legitimate cost and may be added to ceiling prices. Allowable conversion cost may not be more than double regular mill price.

This will light a terrific fire under the already-hot conversion market. In fact it already has. One automaker worked out three new conversion arrangements last week.

Since the automaker needs cold-finished bars instead of sheets, ingots aren't involved. The steel producer is merely asked

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Jones Trading Mgr. For Courts, Atlanta

ATLANTA, Ga. — James E. Jones, who has been associated with Courts & Co.'s Trading Department in New York, has been appointed Manager of this firm's Trading Department with headquarters at its home office in Atlanta, 11 Marietta Street, N. W.

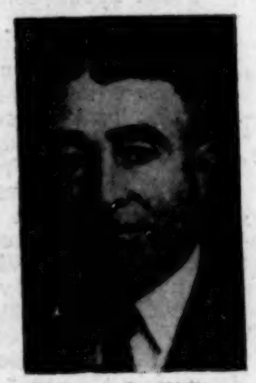

James E. Jones

Before entering upon his duties on Oct. 1, Mr. Jones has been visiting Courts & Co.'s 20 offices in the Southeastern States.

Prior to his association with Courts & Co. Mr. Jones was connected with Bankers Trust Co. in New York.

Williams Vice-Pres. Of Doremus & Co.

William H. Long, Jr., President of Doremus & Company, 120 Broadway, New York City, announces the election of Richard E. Williams as a Vice-President of the advertising agency. Mr. Williams will also continue as Treasurer and a director of Doremus & Company which offices he has held since 1931. He first joined Doremus in 1920.


Richard E. Williams

Business Man's Bookshelf

How to Operate Under Wage and Salary Stabilization—Manual designed to help management follow the rules on pay increases and avoid or minimize penalty for unintentional violations — Walter Lord—Business Reports, Incorporated, 225 West 34th Street, New York 1, N. Y.—Fabrikoid—$12.50.

National Security and Our Individual Freedom—Committee for Economic Development, 444 Madison Avenue, New York 22, N. Y.—Paper — 35c (quantity prices on request for orders of more than 10 copies).

What Every Salesman Should Know About Mutual Investment Funds — Sales training manual — National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.—leather loose-leaf binding—$10.

Joseph A. Rayvis With Raymond & Co.

BOSTON, Mass. — Joseph A. Rayvis has become associated with Raymond & Co., 148 State Street. Mr. Rayvis was formerly President of J. A. Rayvis Company, Inc. of Miami.

Louis Love Adds

(Special to THE FINANCIAL CHRONICLE)

Chester F. Awalt has been added to the staff of Louis A. Love Co., 700 Hermosa Way.

Observations . . .

By A. WILFRED MAY

WORLD INFLATION IN PERSPECTIVE

What Investment Policy Now?

It is now more important than ever for the investor to scrutinize "inflation." The continuing Cold War points up the worldwide economic potentialities; the stock market averages have risen 40% in two years; and the "inflation" consciousness on the part of both the general and financial public continues to mount.


A. Wilfred May

The front-page article of an important financial weekly runs under the caption *"OBSOLETE MODEL—We Need a Savings Bond, Not Just Another Drive."*

A popular lay publication currently runs an article, "WHO GETS HURT BY 53-CENT DOLLAR—Bondholders Lose, Factory Workers Gain," in which a colorful cartoon illustrates how "Savings Bonds: Real Value Drops in 12 Years" [why the 12-year period is picked is somewhat obscure, but significant].

The university economist, too, is scaring the wits out of the bondholder, in speech and letter-to-the-editor claiming that the Treasury is "gypping" him.

The comparatively new technique of tying wages to the cost-of-living index has also importantly contributed to the widespread awareness of the inflation phenomenon. The worker in the Detroit auto factory as well as the ivory-tower economist now knows the current figure of the BLS index to the last decimal point.

The investing public is perhaps entering into a new "New Era"—this time with the theme "inflation" in lieu of "good stocks are cheap at any price"—fanned by the equity-boosting sales arguments of aggressive mutual fund distributors on receptive ears midst the rousing bull market.

The United States Treasury naturally is becoming increasingly worried over the jeopardizing of its Savings Bonds distribution.

The Investor's Objectives

The investor, sticking to his last, should concentrate on the following two-fold basic approach:

(1) Estimating the present and future importance, degree and course of inflation as an economic force; and then

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Comparative Changes in Money Supply, Cost of Living, Bond and Stock Prices 1938-1951

	Money Supply %	Cost of Living %	Bond Prices %	Stock Prices %	Prop. of Cost of Living Rise Offset by Stock Rise %
Italy	+6,000	+5,300	+ 4	+1,900	36
France	+1,500	+1,900	—33	+1,400	90
Belgium	+ 280	+ 240	—12	+ 105	38
Argentina	+ 700	+ 280	+40	+ 380	54
India	+ 370	+ 200	— 6	+ 30	8
United Kingdom	+ 200	+ 102	—12	+ 52	26
Norway	+ 470	+ 100	+35	+ 87	87
Sweden	+ 200	+ 83	—38	+ 117	140
Netherlands	+ 175	+ 166	—23	+ 93	56
Australia	+ 600	+ 102	unch.	+ 148	146
Portugal	+ 350	+ 90	unch.	— 3	0
Spain	+ 240	+ 230	— 4	+ 46	20
Israel	— 230	— 2	— 7	+ 17	119
*United States:					
1938-1949	+ 260	+ 68	+ 4	+ 23	34
-1950	+ 280	+ 69	+ 2	+ 56	81
-1951	+ 270	+ 81	— 1	+ 102	124

*The three periods given for U. S. A. exemplify the importance of which particular period is used.

Shares for the Carriage Trade

By IRA U. COBLEIGH

Author of the Forthcoming Book, "Expanding Your Income"

A brief outline of the qualities of some sterling securities selling at exalted prices.

With all the hue and cry today about splitting shares up to land in a more popular price range, and to lure more stockholders onto the books of registry, there are some truly elegant corporate issues that go their merry market way, not seeming to care if they ever add another shareholder. And they may not, unless he happens to have a step ladder. For the shares I have in mind sell high — real high — with the cheapest one at over 500.

Ira U. Cobleigh

Well, if stock buying is, as everyone knows, heavily concentrated below the $50 level, who is it that ever steps up to 500 and more for any security and why does he do so? It's usually a person of means and the motives are fourfold:

(1) High priced securities nearly always sell at a substantial discount from their book, or liquidating, values;

(2) Where the dividend is low, there's usually a whacking big reinvestment of retained earnings, reflected later on in higher market price—the makings of a long-term capital gain. (A subsequent split up may maximize this gain);

(3) Mink-priced shares are usually a part of a small outstanding capitalization. These shares tend to reflect rapidly, and sometimes spectacularly, bull markets in general, and good news in particular. If a stock moves from 20 to 22 nobody pays much attention; but if it goes from 500 to 550—50 points (but the same percentage) — it usually makes a market headline.

(4) Shares don't get to live in the market stratosphere unless they're among the leaders in their field, and unless they boast a distinguished management.

So much for the general pitch about plump stocks; now let's get down to cases.

I could hardly pick a better example of what I'm trying to prove than Superior Oil of California, paddling along the past week at around $560 a share. Of major oil producing enterprises, with the possible exception of Amerada, this is the plushiest and most romancy.

If you're yield hungry, or dividend conscious, you'll not be happy here. For SOC is an earnings "squirrel." By ultra conservative accounting methods it tends to minimize actual earnings; and few companies are mousier in dishing out dividend checks. Imagine $3 a year on a stock like this! But you have your reward in other quarters, such as participating in ownership of a fabulous reserve of underground proven oil, which highly competent analysts currently estimate as worth above $1,000 a share.

Right now SOC is producing somewhere near 18,000,000 barrels a year (crude oil accounts for about 85% of its gross) and should earn in 1951 above $35 on each of the 423,014 shares that flicker on the ticker tape so bouncily. The company has shown a bird dog's flair for locating good oil strikes; and now has a 51.7% stake in Canadian Superior Oil of California, Ltd. This is a relatively new and expanding unit in the Alberta field; and may well, in due course, add to earnings from the parent company's major proven leaseholds in California, Louisiana and Illinois.

If you are prone to recriminate, you may well berate yourself for not latching on to some SOC when it sold at 22½ 10 years ago. However, if it sells 25 times higher today it's probably because it's now intrinsically worth a lot more; and even at 560 you're going to have a tough time finding any character willing to sell it short. Split-ups here have been mentioned. They may come along some day but, whether or no, SOC looks like a slick stock to own, in a crude sort of way, and even at its Alpine price it may prove just as rewarding a performer as many an item lower down on the price totem pole.

Another Tiffany stock is Travelers Insurance—a four way call on the earning power and fabulous underwriting know-how of the largest company in America doing multiple line insurance; and with assets of above $2 billion. If you worry about income regularity, Travelers should soothe you, for this company has paid dividends every year since 1866, including a 100% stock dividend in 1949.

Lots of investors shy away from insurance stocks partly out of ignorance, and often because yields seem a bit low and markets less volatile. These are hardly good reasons to deprive oneself of magnificent investment portfolio managements which fine companies like Travelers possess; and the steady build-up in book value which reserves, underwriting profits and invested income are constantly creating. There are a lot of substantial, if unspectacular, "growth" factors here.

Just to outline the sources of Travelers income, I'm jotting down below the revenue schedules for the past three calendar years:

Comparative Earnings on a per Share Basis

Year—	1950	1949	1948
Life Dept.	$10.50	$15.14	$8.24
Accd. Dept.	20.84	40.28	38.97
Indemn. Co.	18.89	19.11	15.57
Fire Cos.	10.72	11.95	9.15
*Total	$60.94	$86.48	$71.94

*Inter-company dividends eliminated.

From the above you'll discern the fine earnings stemming from accident and indemnity sections. Current per annual share earnings of above $60 a share apply against the 400,000 shares of Travelers capital stock, and give plenty of cushion for the meek $14 a share paid last year. With book value which could easily be calculated at nearly $900 a share, Travelers at around $610 offers a pretty solid value to those not desperate for current income.

My third selection stresses more a worthwhile discount from tangible asset value than any sustained proclivity to retain earnings. This investment gem is Christiana Securities, of which only 150,000 common shares are in existence, currently quoted at a paltry $6,600 apiece. 1950 dividends of $407.43 suggest a current yield of about 6%. Christiana toils not; neither does it spin. It merely owns 27% of outstanding du Pont common, 170,000 shares of General Motors, 7,210 shares of Wilmington Trust and 7,460 shares of New-Journal Company. The market value of all this, applying to each share of Christiana, is today roughly $7,700, a fact permitting current purchase at about a 15% discount. Few more elegant aggregations of chemical and industrial equities exist anywhere.

Moreover, those persons whose safe deposit boxes are cluttered up with small bales of certificates of lesser priced shares should take note that all this congestion may be unnecessary! 100 shares of Christiana would require lots less vault space; and might well improve the general character and quality of your holdings.

Naturally in so short a space it is impossible to treat with all those golden equities that rattle around in the market above $500 a throw. If research along these lines fascinates you, why not look up First National Bank of New York around 1300, Kings County Trust Company at 1500, Northern Trust of Chicago at around 600, Mahoning Coal, 500, and perhaps drift down to 350 to look at Upjohn Company, the fancy pharmaceutical from Kalamazoo. And somewhere there must be a few careless Texans, who, back in 1926, forgot to send in their Texas Pacific Land Trust old shares for 100 for one exchange. These little pieces of paper are today worth $13,500 a unit. How high the moon?

So it is that despite all the chart followers and market graphs, there is a class of securities operating on a much higher level than the Dow, Jones averages. Almost any one of these, is a security of classic worth; and perhaps a little leavening of this kind of high quality could improve many an assorted list. These are shares for the carriage trade; and they make for a very plushy ride.

Cease Deficit Spending and Preserve Our Great Middle Class!

By ORVAL W. ADAMS*

Executive Vice-President

Utah First National Bank, Salt Lake City

Prominent Salt Lake City banker calls for crusade to elect political leaders who will halt excessive government spending and put curb on inflation.

America's great middle class must prove to be its own Savior and "Save What's Left" of our way of life.

Orval W. Adams

It, and it alone, can now rescue this country from the clutches of the "Deficit Addicts"—Roosevelt, Truman and their ilk—whose power for evil so greatly exceeds that of the worst drug addicts.

Only in America has a great middle class survived the ravages of the demon inflation; but here in America, though scarred and battered by the malicious mistreatment of twenty years, that class still survives and, late as it is, can, I believe, reverse the course towards national bankruptcy and restore much of what we have lost if they will, acting in their own real selfish interest, forgetting parties and partisanship, spurning Santa Claus as a false God, choose honest, intelligent, patriotic men to lead us forward on the road the Founding Fathers visioned and on which we so long successfully advanced. Can such leaders be found today? Of course they can, and in both political parties.

First and foremost, never faltering for a moment, looms Harry F. Byrd of Virginia. He has consistently opposed from its beginning in 1933, the construction of the pipeline from the U. S. Treasury into the pockets of the unsuspecting voters. Even during the reign of Roosevelt, Hopkins, Eccles and Keynes, the deficit quads, and all the way down through the present administration, through all the years of the destructive policy of tax, tax, spend, spend, elect and elect, his warning voice has been heard. Virginia's Harry Byrd is unquestionably "The Paul Revere of These Latter Days."

Younger, less well known, but of proven worth is Utah's Governor, J. Bracken Lee. Able, honest, with a courage proof against all pressure groups, possessed of an innate knowledge of government, he has in his first term made a record of rugged American leadership which stands unsurpassed. He is truly "An Oasis Governor in a Desert of Deficits."

I need not add the names of those great Americans whose services during and since the war years have been so freely given but whose political affiliations — if any — are unknown. Among these men surely such leaders can be found.

To you 50 million savings depositors — you 85 million holders of life insurance policies — you 85 million who have purchased United States Bonds — you old folks — you who have earned pensions through self-denial and restraint — to you, the voting majority in this land, I say, choose from such men leaders to restore intelligence, morality, a regard for something other than your vote to government, and "Save What's Left" of your hard-earned substance and your priceless freedom. It is late, but not hopeless. Remember, if you neglect your own true interests and continue to hearken to the spurious promises of a wasteful and deficit building administration when casting your ballots, you, like the people of so many other lands, may lose even the right to vote as you wish — and be reduced to voting as told to vote.

It may come as a shock to you to recall that Mr. Roosevelt, before starting the deficit debauch, knowing the evils that would follow as proclaimed by that great Democrat Thomas Jefferson, said in October, 1932, when a candidate for the Presidency:

"The credit of a nation, like that of a family, depends upon living within its income."

And Mr. Roosevelt added:

"But if, like a spendthrift, it throws discretion to the winds and is willing to make no sacrifice at all in spending; if it extends its taxing to the limit of the people's power to pay and continues to pile up deficits, then it is on the road to bankruptcy."

Surely we today have all learned the lesson learned in blood, sweat and tears, that the steps to despotism are, first national bankruptcy, then chaos and then dictatorship—and that a dictator is nothing but a receiver for and the inevitable product of a nation gone bankrupt.

We have been singing "God Bless America" — and while we held firm to our belief in free enterprise, He did so abundantly.

Now that we have adandoned self-reliance perhaps we should sing "God Save America." We need his help more than ever in our history—and perhaps it will some day penetrate our intelligence that God helps those who help themselves.

*Concluding part of an address by Mr. Adams before the Intermountain Electrical Association, Salt Lake City, Utah, Sept. 21, 1951.

Legal and Tax Problems Inherent in Gifts to Minors

By MAYO ADAMS SHATTUCK*
Partner, Haussermann, Davison, Shattuck & Field
Director, Boston Fund, Inc.
Fiduciary Advisor, Massachusetts Investors Trust

Member of Boston Bar and specialist on Trusts and Estate Planning, reviews legal matters relating to transfers of assets to minors and the tax problems incident thereto. Concludes: (1) outright gifts to minors are very seldom advisable for the man of average means; (2) informal short-cut declarations of trust for minors are dangerous quagmires of legal uncertainty; (3) irrevocable transfers in trust for minors can be used efficiently in relatively few cases where they fit into average family plans; and (4) use of revocable trust agreement for transfers to minors lacks any substantial virtue tax wise.

The excuse for presentation of this sort of inquiry, if there be valid excuse, flows out of every day practice. No prospect looms more brightly in the minds of present day estate planning clients (and no prospect is more fraught with entangling dangers to those of us who are estate planning counsel!) than the transfer of important family assets to minor children and grandchildren. The preliminary scene is almost monotonously familiar to those of us who have the enjoyable privilege of designating the modern family plan for the average successful American businessman.

Mayo A. Shattuck

Your client sits before you. After indulging in his own private characterization of the endless tail-chasing process to which most heads of families in this republic have been condemned he reveals his assumption that you will be able to recommend a very few simple steps, by way of family transfer of family assets, which will cure everything, tax wise and yet leave the situation entirely feasible in the "practical" sense. In the first place he thinks—or he thought, at least (for continued warnings have somewhat tended to change his mind in this respect), that you ought to be able to avoid all fuss and feathers about lengthy wills and trusts by some sort of simple joint tenancy arrangement. But he also supposes, and here he definitely needs some elementary instruction, that the family assets ought to be divisible in some fashion, among the children, or the grandchildren, or both, so that everyone in the family will have a comfortably small fortune; so that no one in the family will remain wealthy; so that, in short, the deep bite of the surtax will be avoided as applied to *his* family property. That, indeed, is the estate-planning function as he sees it—to mitigate and, wherever possible, avoid this ruinous present sacrifice to the tax collector and yet to bring about, tentatively, the sort of distribution of the family property which ultimately would become absolute.

What our client appears to desire, in perfectly good faith, is this. He desires to arrange an *a priori* allocation of what property he has managed to get together among the members of his family; a sort of private "share-the-wealth" program. There are, of course, some mental reservations. He has long been head of the family and he expects to remain head of the family at least while he is active and well. For the good of the individual members of the family he expects, in times of bad luck, to be able to resume command of the family property. He does not expect strangers to dictate to him about family assets, or income, even under warrant of court. If some of the members of the group become sick or "silly" he expects to protect them out of the allocated funds. He does not expect, of course, to see the family enterprise end up, even after his death, let alone during his life, in the hands of strangers, or be sold at a sacrifice. He just doesn't see why this sort of allocation can't be made—to be adjusted from time to time, if necessary, as circumstances require—but to be taxable, at least until adjustments are made, on the basis of a collective group of petty capitalists rather than on the basis of one great big property holder, surrounded by a group of dependents in every sense except the tax sense.

You and I, of course, know that he just can't have what he really wants. But in a humanistic way his viewpoint is reasonable. He knows that his son and daughter can smoke, drink, drive automobiles under license, get married, have children, fight wars and do a good deal of useful work before they are 21. He certainly knows, from hard experience, that they can receive money and spend it. He never heard of the silly rule, in some states, that even a married minor, a father or mother, can't make a will. He would think it incredible that limitations could exist at law upon use of the individual property of a minor to provide the minor with food and clothes and education—no matter how well able his parents might be to support him. He knows vaguely that a minor child of certain qualifications can testify in court; he also knows that minor children can be, and are, civilly and criminally responsible for wrongs they do to individuals or to society. How then can it be, says he, that the law is stupid enough to place a complete and paralyzing risk upon the manipulation of property by a minor?

He cannot be expected to know, however reasonable minded his nature, of the great lines of tax authority. He wasn't in the court room when the Supreme Court promulgated the test of family economics as opposed to legal ownership. He has supposed, just as you and I did for years, that the test of ownership and taxability would be legal, not economic. He has a dim notion that he is obliged at law to support his wife and minor children, but he cannot be presumed to know that if he makes an irrevocable transfer or settlement for that purpose, and has in fact lightened his economic burden, the future income is to that extent to be regarded as his income. If he purchases life insurance he understands, of course, that he obtains a certain satisfaction, but if he sets aside funds, in the hands of some stranger and completely beyond his control, to pay the premiums he finds it somewhat difficult to understand how it is that the income from those funds is still regarded as though he had received it. He appreciates vaguely, also, that he oughtn't to be able to have his cake and eat it too, but if he sets aside a fund for his children from which it is clear that he can never receive any benefit he may be pardoned for not realizing that even a few controls, designed only to protect the beneficiaries, may result in a continued taxation to him.

Perhaps, therefore, we must prepare to instruct our clients, in as simple terms as possible, in the substantive law and the tax law with relation to property transactions concerning minors. Perhaps our first job is to become teachers in a sort of human elementary school. This paper is prepared for that purpose. The substantive law in this area is relatively simple, though not always defensible. The tax law and regulations in this area, like much of our tax structure, is tangled and full of thorns beyond belief: a system which so confidently announced, during its own minority, that it proposed to cut through artificialities and deal with solid realities has ended by becoming nothing less than a schizo-phrenic adult!

The Substantive Law—Outright Gifts

First let us notice one of those peculiar mental gyrations, so characteristic of the common law and based not on logic but on experience and the necessities of the case. Speaking broadly, the law does not forbid a minor to enter into property transactions, or to hold property or to dispose of it. The law even allows a minor to hold property in trust for adults. Only in a very few instances is the minor flatly denied power to do what an adult can do with respect to property. Those exceptional instances are rooted in what may be called privilege statutes—such as the statute of wills. Out of deference to actual custom and history, in short, the law, speaking broadly, says that a minor is not under disability with relation to the power to receive, hold and dispose of property.

The precautions adopted by the law with relation to a minor's transactions in property is, unfortunately for those who deal with minors, much more disturbing as a practical matter than the complete and final imposition of legal disability. It gives a privilege to the minor, oftentimes operative long after the event, to disaffirm most of his property transactions. This privilege is strictly personal and is therefore applicable only to the minor's individual affairs, but it applies to nearly all of the property transactions in which the minor can possibly participate in his own property interest:

(a) The minor may avoid any agency created by him.

(b) The minor may disaffirm any purchase made by him, whether of real estate or of personal property.

(c) The minor may disaffirm any sale made by him, whether of real estate or of personal property.

(d) The minor may disaffirm his obligations on negotiable instruments, even though the instrument be in the hands of a holder in due course.

(e) The minor may disaffirm security transactions, whether of purchase, sale or pledge.

(f) The minor may disaffirm his receipt of distributions of legacies, distributions from trustees, and the like.

Disaffirmance is permitted, normally, so far as concerns personal property, not only during minority but for a reasonable period after the attainment of legal majority. Cases indicate exercise of the power to disaffirm at various times through periods extending years after majority; the period may, like the period of laches, be foreshortened, or lengthened, by the circumstances of the case.

There are, to be sure, statutory ameliorations of these severe results, usually designed to make certain types of isolated transactions feasible. Typical are the provisions relating to:

(a) *Life Insurance Policies.* In Massachusetts, New York, New Jersey and in some other jurisdictions the right to disaffirm life insurance contracts has been curtailed under certain circumstances:

(b) *Withdrawal of Bank Deposits.* In some jurisdictions a minor has been deprived of his right to disaffirm a withdrawal from bank of money deposited in his name by himself or another.

(c) Ownership of Government Savings Bonds.

There are, also, other ameliorative common law doctrines, such as those which are concerned with the acquisition of necessities and those related to the status of emancipation, which tend in some jurisdictions to make this unstable and tricky principle of minor irresponsibility more bearable in a workaday world. But I think I need not say more to make it plain that whenever a client proposes to transfer a considerable property to a minor, by way of gift, and then to trust to luck as to the future both of the property and of the minor, it is our positive

Continued on page 28

*An address by Mr. Shattuck before the 47th Meeting of the American Bar Association, Trust Division, New York City, Sept. 17, 1951. Assistance in preparation of this address by Philip J. Woodward, Esq. and Eugene F. Endicott, Esq. of the Boston Bar and by Dwight Rogers, Esq. of the New York Bar is gratefully acknowledged.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Common Stocks for Investment—Tabulation—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is a list of **Common Stocks Favored for Appreciation.**

Equipment Trust Certificates—Semi-annual appraisal—Stroud & Co., Inc., 123 South Broad Street, Philadelphia 9, Pa. Also available is a semi-annual appraisal of **City of Philadelphia Bonds.**

Favorite Fifty—Analysis showing, by dollar value, the listed stocks most popular with professional management—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Graphic Stocks—September issue contains large, clear reproductions of 1,001 charts showing monthly highs, lows, earnings, capitalizations, volume on virtually every active stock on the New York Stock and Curb Exchanges—single copy $10.00; yearly (6 revised issues) $50.00—F. W. Stephens, 15 William Street, New York 5, N. Y.

"Information Please!"—Brochure explaining about put-and-call options—Thomas, Haab & Botts, 50 Broadway, New York 4, New York.

Machine Tool Industry—Analysis of outlook—Cohu & Co., 1 Wall Street, New York 5, N. Y.

New York City Bank Stocks—Third quarter comparison and analysis of 17 New York City Bank Stocks available Oct. 8—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Opportunities in Department Store Equities—Study—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a **Railroad Stock Exchange Suggestion.**

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 12½-year period. Of the 35 companies represented in the National Quotation Bureau's Over-the-Counter Industrial Stock Index, 12 trace their ancestry to years before the Civil War and another nine had their beginnings in 1900 or earlier. Twenty-three of the companies have been paying dividends continuously from seven to seventy-nine years. Of the other twelve, one started paying dividends 119 years ago, and its stockholders have received annual dividends regularly with the exception of the years 1833, 1840 and 1858—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Retirement Plans—Folder discussing the setting up of profit-sharing plans for executives and employees—W. L. Morgan & Co., 1420 Walnut Strett, Philadelphia 2, Pa.

Sterling Devaluation—Discussion—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Television Industry—Analysis—Suttro Bros. & Co., 120 Broadway, New York 5, N. Y.

Value Selections for October—Leaflet—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

What Every Salesman Should Know About Mutual Investment Funds—Sales training manual—leather loose-leaf binding—$10 per copy—National Securities & Research Corp., 120 Broadway, New York 5, N. Y.

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American Car & Foundry Company—Pamphlet—W. C. Langley & Co., 115 Broadway, New York 6, N. Y.

American Chain & Cable Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Bingham-Herbrand—Analysis—L. Johnson & Co., State Tower Building, Syracuse 2, N. Y. Also available is an analysis of **Buffalo Eclipse.**

Bowman Gum, Inc.—Circular—Frank C. Masterson & Co., 64 Wall Street, New York 5, N. Y.

Caspers Tin Plate Company—Analysis—Dempsey & Co., 135 South La Salle Street, Chicago 3, Ill.

Chicago Pneumatic Tool—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y.

Consolidated Engineering Corporation—Special report—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif. Also available is an analysis of **Plomb Tool Company.**

Crane Co.—Memorandum—Stanley Heller & Co., 30 Pine St., New York 5, N. Y.

Electric Boat Company—Data in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a list of 40 stocks with relatively high excess profits tax exemptions. Also available is a bulletin discussing price movements of **Railroad vs. Airline** shares.

Electric Bond & Share Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

First National Bank of Boston—Table of equivalents of stock and rights—The First Boston Corp., 100 Broadway, New York 5, N. Y.

Gardner-Denver Co.—Analysis—Newborg & Co., 30 Broad St., New York 4, N. Y.

General American Transportation—Data in current issue of "Selected Stocks"—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are data on **American Steel Foundries, Northwest Airlines** and **American Telephone.**

General Portland Cement Company—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a memorandum on **Robert Gair Co.**

George A. Fuller Company — Analysis — Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Lone Star Steel Co.—Memorandum—Kerr & Co., General Petroleum Building, Los Angels, Calif.

Mississippi Highway Revenue Obligations—Chart—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **St. Louis-San Francisco Railway,** and an analysis of **Iowa Electric Light & Power Co.**

Mountain Fuel Supply—Analysis—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah. Also available are analyses of **Equity Oil** and **Utah Southern Oil.**

Niagara Mohawk Power Corporation—Study—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Placer Development Limited—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Riverside Cement Company — Card memorandum — Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available is a memorandum on **Gear Grinding Machine Co.** and on **Seneca Falls Machine Co.**

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

U. S. Thermo Control—Data—Raymond & Co., 148 State St., Boston 9, Mass. Also available is information on Thermo King Ry.

West End Chemical—Circular—J. F. Reilly & Co., Inc., 61 Broadway, New York 6, N. Y. Also available is a circular on **Lone Star Steel.**

NSTA Notes

NOTES FROM THE CONVENTION

Jack Rohde of John R. Lewis, Inc., Seattle, and his wife Vera, celebrated their 13th wedding anniversary on Sunday, Sept. 20, and were given a great big hand by all. This charming couple is wished many more happy years by all.

All those attending the convention are most thankful to Dempsey-Tegeler & Co. who have presented a "Guest Pac" with their compliments to all attending the convention. Included are Bromo Seltzer, Cashmere Bouquet hand lotion, Vaseline Hair Tonic, Abrosia facial cleaner, Avon Sachet, Rayve Creme Shampoo, Pepsodent toothpaste, Palmolive shaving cream, etc., etc.

SAN FRANCISCO TRADERS INVITE

The San Francisco Security Traders Association is inviting all NSTA members at the Convention to be their guests on Monday, Oct. 8, starting with cocktails at 7 p.m. in the Terrace Room, followed by dinner, which will be informal, in the Tonga Room, both at the Hotel Fairmont.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League Standing as of Sept. 27, 1951 are as follows:

TEAM	Points
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	15
Mewing (Capt.), G. Montanye, M. Meyer, La Pato, Klein	14
Leone (Capt.), Tisch, Pollack, Nieman, Bradley	14
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	12
Kumm (Capt.), Gehegan, R. Montanye, Krassowich, Manson	12
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	11
Serlen (Capt.), Gold, Krumholz, Young, Gersten	11
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	9
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	9
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	7
H. Meyer (Capt.), Swensen, A. Frankel, Wechsler, King	5
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	1

200 Club		5 Point Club
J. Sullivan	215	Hank Serlen
C. Kaiser	208	Willie Kumm
N. Krumholz	203	

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Nominating Committee of the Security Traders Association of New York will hold an open meeting at the Antlers Restaurant, 67 Wall Street, New York City, at 4:30 p.m. Oct. 15. Members of the committee are John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane, Chairman; Louis A. Gibbs, Laird, Bissell & Meeds; Michael J. Heaney, Michael J. Heaney & Co.; Milton Van Riper, John C. Legg & Co.; and Arnold J. Wechsler, Ogden, Wechsler & Co.

COMING EVENTS

In Investment Field

Oct. 8, 1951 (San Francisco, Cal.)
San Francisco Security Traders Association Cocktail Party and Dinner at the Hotel Fairmont.

Oct. 12, 1951 (Dallas, Tex.)
Dallas Bond Club annual Columbus Day outing at the Northwood Club.

Oct. 15, 1951 (New York City)
Accounting Division of Association of Stock Exchange Firms annual dinner and election at the Henry Hudson Hotel.

Oct. 16, 1951 (New York City)
"Feminine Fame and Furtune" Second Anniversary Dinner.

Nov. 9, 1951 (New York City)
New York Security Dealers Association 26th annual dinner at the Waldorf-Astoria Hotel.

Nov. 21, 1951 (New York City)
Association of Stock Exchange Firms Annual Meeting of the Board and Election.

Nov. 25-30, 1951 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

FHLB Notes on Market

Public offering of two new note issues of the Federal Home Loan Banks, aggregating $125,000,000, was made on Oct. 2, 1951, through Everett Smith, fiscal agent. The issues consist of $63,000,000 Federal Home Loan Banks 2.10% series E-1952 non-callable consolidated notes, dated Oct. 15, 1951, and due March 14, 1952, and $63,000,000 Federal Home Loan Banks 2.20% series F-1952 non-callable consolidated notes, dated Oct. 15, 1951, and due June 13, 1952. The notes are priced at par.

Proceeds from the offering, together with current funds of the Banks, will be used to retire $60,000,000 series G-1951 2% consolidated notes and $70,000,000 series I-1951 2⅛% consolidated notes, both maturing Oct. 15, 1951.

Upon completion of the present financing outstanding obligations of the Federal Home Loan Banks will have been reduced to $493,000,000, from $497,000,000 currently outstanding.

Delivery of the notes will be made either at the Federal Reserve Bank of New York or the Federal Reserve Bank of Chicago, or both, at the option of the subscriber.

With Bailey & Davidson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James H. Spaulding is now associated with Bailey & Davidson, 145 Sansome Street, members of the San Francisco Stock Exchange.

Joins A. G. Becker Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Charles Dreifus, Jr. is with A. G. Becker & Co., Inc., 465 California Street.

With G. H. Walker & Co.

Sherrill Kent is associated with G. H. Walker & Co., 1 Wall Street, New York City. Mr. Kent was previously with Kidder, Peabody & Co.

With Arnold, Cassidy

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert T. Wilson has become affiliated with Arnold, Cassidy & Company, 448 South Hill Street.

"Alice in Wonderland" Economics

By WALTER K. GUTMAN*
Senior Analyst, Goodbody & Co.
Members, New York Stock Exchange

Mr. Gutman, after condemning lack of optimism of businessmen, economists, security analysts and "ordinary people," says we are achieving an economic victory and, despite difficulties, greater discoveries and improvements for economic betterment and greater individual riches are still to come. Points out solution of economic problems lies in hands of scientists and businessmen, and says creative talents will be open to businessmen on larger scale. Favors chemical industries as field for investment.

I think the abiding weakness of businessmen, economists, security analysts and ordinary people is plain lack of optimism. It is clear that by looking at the past you can see that the great mass of people who have so far lived on earth have never realized or even faintly realized their potentialities. The world is over three billion years old and the history of man so far is traced 150,000 years back, and of these 1500 centuries of known human life, man has lived in a wonder-world of facts for not more than 100 years, a trifling percentage of the total time. If one reads economic history one cannot help but be impressed by two things: —(a) the enormous poverty of people prior to 1850 and (b) the enormous speed with which people have come out of their dreams and have begun to live a really rich life on earth since 1750. It was in 1850 that the awakening of the dream began to show spectacular results.

Walter K. Gutman

The reason for the perpetual pessimism of human beings is simply this enormous experience with poverty and difficulty and the suddenness of the change from a life of extreme hardship to a life in which material comfort and safety is widely enjoyed. In other words, most of us cannot yet realize the historical change that has occurred and how foolish it is not to be optimistic. From the point of view of the practical investor this means that most of us miss our opportunities. We miss our opportunities not because we don't see them, but because we don't have an optimistic faith in them. The reason I think there is some practical use in looking at economic history is that it can deepen our optimism as investors or as advisors to investors and it can enable us to more fully exploit our opportunities when we see them.

No Interest in Business History

One of the remarkable facts of business history is that there has been very little interest in it. So far as I know, only one book has been written specifically on the history of the businessman; this was by Miriam Beard in 1938. In the field of economics, economic theory preceded systematically-documented economic history by 150 years. In the light of what present day economic historians are discovering, the theories of Smith, Marx, Veblen and Keynes are more remarkable than their grasp of the facts. They simply did not possess the facts because there was not a sufficiently large body of historical research going on in the old ordinary documents of business to give them the facts. Today, however, we can benefit from fine historic studies and we know much more about what was actually happening in past centuries.

I make no pretense in being myself a scholar and I would like, therefore, to give you the names of the books I have been reading. These are only a few in number, but they contain an enormous amount of information. **War and Human Progress** by John U. Nef, Harvard 1950; **Human Fertility** by Robert C. Cook, William Sloane Assoc. 1951; and **The England of Elizabeth** by A. L. Rowse, Macmillan 1951.

One of the striking facts brought out by Nef in "War and Human Progress" is that in past centuries metals played a minor role in economics. As late as the 17th Century, a French writer on economics, Antoine de Montchretien, listed five basic commodities. These did not include any metals. The five were—salt, wheat, wine, wood and flax. Of these only one is now basic to the American economy. Sully wrote that "husbandry and pasturage were the two breasts of France, the true mines and treasures of Peru."

In fact, the ancient peoples and the more artistic and non-commercial of the peoples of relatively modern times had somewhat of a prejudice against breaking the crust of the earth and finding riches underneath. The enormous wealth discovered by the Spaniards in South America seems to have been something of a shock to their European rivals. In the late Roman republic, legislation against mining in Italy was actually enacted according to Nef. People felt there was something unnatural about forms of economic production which did not seem to have the natural blessing of nature itself.

A symbol of this reluctance to tap forms of wealth which nature or heaven did not hand out to humanity fairly willingly is exemplified in a limited group of chemicals available until relatively recent times. The principal chemicals known to the ancients were: acetic acid, alcohol, sugar, soaps, indigo, alizarin, tyrian purple. Three of these were dyes. In the 18th Century a single chemist, Scheele, discovered as many new chemicals as the ancient world knew altogether. These were—tartaric, lactic, hydrocyanic, citric, malic and oxalic acid, and glycerol.

An Economic Victory Achieved

Because of the enormous intellectual inhibition which blanketed humanity until recent centuries and especially until recent years, there was no possibility of solving economic problems in a practical way. In other words, there was not the slightest possibility of producing enough goods to make the majority of people happy in terms of material comforts of life. It is largely because of this impossibility of economic solutions that people turned to dreams for their happiness, and when dreams faded they turned to a discussion and a search of spiritual values. Even today in the midst of our enormous progress toward economic improvement, a great many people renounce the economic victory we are achieving and attempt to wade along the old route of spiritual values. While I do not wish to say anything against spiritual value, I think it is important for businessmen to realize that the "flesh pots" have never been given a fair test. People have never been able to enjoy luxury on a wide scale. Therefore, those of us who have had some taste of delightful living also have had a feeling of guilt mixed with our feeling of delight. The flight from the "flesh pots" to spiritual values which is fairly characteristic of people who have had a good time first, is not a proper test of the value of either the spiritual life or the material life. Until so much material goods have been produced that a life of pleasant economic satisfaction is a universal experience such tests cannot be made. Only after the economic problems have been solved can we really go on to the solution of emotional and spiritual problems. So long as economic problems are unsolved there will remain a tendency to use spiritual values as an excuse and substitute for the failure to solve economic problems and this in turn will vitiate the power of spiritual and intellectual leadership. Thus, whether one does like the "flesh pots" as I do or desires to renounce them as many people do, the problem still remains an economic problem. We cannot fully enjoy life of any sort until we have solved it.

Solution in Hands of Scientists and Businessmen

The solution of the economic problem is in the hands of scientists and businessmen. The relationship of scientists and businessmen is more complex than is easily realized but it is clear that this relationship is the one which has brought us out of the dream-world and into a real world of growing magnificence. Without the understanding of the laws of nature which scientists have, business men could not create the mass of new wealth which we enjoy; but without the understanding of business, without the enthusiasm for new practical developments and the courage to make practical decisions, science would not get products much passed its test tubes.

Penicillin was discovered by a scientist in 1929 and was made a commercial reality by business in 1943. This is a perfect example of the productive relationship of business and science and the need each have for the other. When the scientists first thought that penicillin should be produced in quantity their idea was to make it in numerous small glass flasks. It was quickly noted that even to meet the relatively small requirements which were estimated at that time, it would be necessary to have more bottles growing penicillin than there were milk bottles in the United States. It was the businessmen running Chas. Pfizer who developed a technique of large-scale production. It was large-scale production which turned a wonder of science into a wonder of economics and a blessing for humanity.

Businessmen have a great job to accomplish but generally they don't know it because they don't think in either historical or philosophical terms. Because they don't have an historical understanding of times and a philosophical confidence in the greatness of their mission, businessmen lack a really deep confidence in the future. This is the reason why so many of us as investors fail to exploit our opportunities; we really just don't believe in the great events of the future.

This lack of historical and philosophical confidence is one of the traits that distinguishes businessmen from artists, writers, musicians, doctors, soldiers and scientists. There is a mass of historical writing on all these professions. The members of these professions derive faith in themselves from their contact with history and the confidence this gives them in the importance of their mission.

A Narrow Conception of Profits

The objective of businessmen has been stated much too narrowly, far too much attention has been paid to the profit motive and there is too close an association between business and a narrow conception of profits. After all, the profit motive is a very natural and obvious motive and does not need much more comment than other primitive motives such as eating or going to the bathroom. The deep motive of business is the creation of material wealth. As material wealth increases, profits automatically increase. The great businessmen I have met don't seem to be greatly activated by a personal interest in money but they are tremendously interested in the creation of more business. The huge fortunes which have grown rapidly in the last 15 years and which are exemplified by the names Dow, Abbott, Searle, Merck, Pfizer, American Cyanamid, etc., are the results of a creative business activity rather than the profit motive. Quite a few businessmen have missed opportunities because of the profit motive. In other words, they have been waiting for the next depression when they could buy bargains and since there has been no depression they have failed to make huge profits. Businessmen who have actively created new wealth have amassed fortunes despite all impediments of taxes and government regulations. They have amassed them with scarcely any attention being paid to the shrewd arts of business.

Again, a look at history enables us to see why these fortunes have been made without the exercise of "typical business shrewdness" and why in the past business shrewdness was so essential.

In the past, productivity was so low, the knowledge of natural laws was so meager, that a businessman had little scope for his creative talents. He had to make money by being shrewd. For instance, in the 16th Century total production of iron in Western Europe was no more than 140,000 tons a year. Two centuries later it was no more than 200,000 tons a year. So iron and steel were extremely scarce commodities. It was essential for people to hold on to them from generation to generation and the only way to grow wealthy in terms of iron was to be hard and shrewd. When modern techniques of mass production were developed something less than 100 years ago, it became possible to make more money by producing than by trading. It is worth reflecting that Andrew Carnegie, who went into the steel business about 1865, retired from that business 35 years later with a fortune of $250 million. It did not take Carnegie long to make that huge fortune and it did not take the country long to change from an economy in which iron was scarce to one in which it was plentiful. The fortune of Carnegie can easily be traced to the discovery of the Bessemer process by a British scientist. This was made in

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*An address by Mr. Gutman before the Boston Investment Club, Boston, Mass., Sept. 26, 1951.

Faults and Frictions in Our Banking System

By ALLAN SPROUL*

President, Federal Reserve Bank of New York

Asserting bankers fail to give voice to underlying philosophy of its changing role in the economy, Federal Reserve Bank President accuses them of undue sensitiveness degenerating into obstructiveness, to centralization of power. Advocates supremacy of Federal Reserve among banking authorities, and lauds "workable accord" between Treasury and Federal Reserve Board. Lists points of friction in banking controls and supervision, and urges State bank supervisors "to help banking find its voice." ABA President refutes criticism banking leaders take negative attitude on national and financial issues.

Both because of what I am going to say and because of things that have been said in the past which have caused some friction among us, I must begin by putting three things straight.

Allan Sproul

First, I am speaking only for myself. I have not been charged or briefed to speak for the Federal Reserve System.

Second, I think bankers are just like other people—no better and no worse. I do not share the view of their critics that they are all unprogressive or lacking in the qualities which make our economic system work so well. Theirs is a highly regulated business. It no longer has the scope or the freedom of the great industrial and commercial undertakings, and it therefore no longer produces the names and the news that excite the imagination of the public, and create the fact and the fiction of our business literature. But banks and bankers still have great opportunities for constructive leadership in economic affairs. I want those opportunities to be grasped and that leadership exercised.

Third, I am for the dual banking system and have never consciously advocated anything which I thought would destroy that system. A dual banking system is consistent with the Federal principle upon which this country was founded, and under which it has developed a responsive political machinery and a bountiful economic life. I would not want to destroy it.

Now, if I am honest and if you are tolerant, we can proceed without suspicion of motives. There will be no cards under the table.

Banks Not in Touch With Social Movements

I have been and am greatly disturbed by what seems to me to be the fact that banking does not speak with a voice that is in touch with the great underlying social movements of our time, with a voice that reaches the public and enlists its support. I am not talking about local issues or about individual banks and bankers, of course. We all know of many instances where the individual bank or banker has done and is doing a great community job. I am speaking of those national issues which involve the integrity of our money, the functioning of our central banking system, and the preservation of our private commercial and savings banking facilities. And I am speaking about the participation of individual bankers and organized banking in the democratic process of hammering out solutions of these problems.

The bankers and their organizations have been active and effective in securing legislative action on some matters favorable to banking and they have been even more active and effective in preventing the adoption of a variety of measures unfavorable to banking, and presumably, unwise in the public interest. But bankers do not seem to have been able to give voice to an underlying philosophy of the developing and changing role of banking in the economy of the country. If there has been one thread that has run through the attitude of "bankers" and "banking" in these later years, it has been a high degree of sensitiveness to the centralization of power. That is a good thing, in itself, but the danger is that it will degenerate into mere obstructiveness, into a wholly negative attitude. In fact, if the charge of undue centralization of power can be leveled against a proposal, for whatever purpose and on whatever grounds, it is likely to obscure all discussion of the merits of the proposal, and to bring into opposition a large number of bankers and a shifting group of supervisory authorities. It is somewhat like pinning a pro-Communist label on issues which we oppose.

If you look back over recent years I think you will find that this is what has happened. On the great issues of the times, in the field of monetary and banking affairs, the banking community as a whole, or at least in any organized capacity, usually has taken a negative or neutral attitude. It has left it to others to propose broad legislative programs and to devise changes in our banking and credit system. And then, in combating flaws in such programs and proposed changes, it has allowed itself to be cast in the role of opposition, of resistance to change.

Banks as Champions of Divided Banking Authorities

In following up its antagonism to too great centralization of authority, the banking community has also allowed itself to appear to be the champion of divided banking authorities at the Federal level—a sort of advocacy of inefficiency and duplication—and a not unhappy spectator of differences between Federal and State authorities. As Bill Lyon said last year, there is sufficient difference in the primary and essential functions of the three Federal banking agencies, and between them and the State agencies, to provide reason for the belief that there might be division of authority without sacrifice of effectiveness. I have no hesitancy in saying, as I have said before, that the Federal Reserve System is and must be the most important of the Federal banking agencies, and that attempts to line it up with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, or to play off one of these agencies against the other, is a disservice to banking and to the country. The Federal Reserve System is primarily concerned with no less than providing those monetary and credit conditions which will preserve the integrity of the dollar and facilitate the continuance of a high level of production and employment in this country. There can be no higher economic aim and no more important economic task. The primary and essential role of the Federal Deposit Insurance Corporation is the trusteeship of a great deposit insurance fund covering nearly all of the banks of the country. The primary and essential role of the Office of the Comptroller of the Currency is the chartering and supervision, including examination, of the national banks of the country, and the State banking authorities have the same primary responsibility with respect to the State banks. To be sure, we are all interested in a better banking system, in the soundness of the banks, in improving bank capital positions, in encouraging progress and development in banking methods and service to the public, but it is not necessary to permit these general objectives to scramble our functions, unless we are really more interested in entrenched positions or greater powers, than in these accepted and approved goals.

This is not a question of personalities, nor of states' rights and the dual system of banking. I am not striking at the charm and dignity of a Preston Delano nor the wizardry of a Maple Harl. I am not seeking to undermine the authority of State bank supervisors. I am asking why the voice of the banking community has only or largely been heard repeating slogans which excite or exaggerate our conflicts and our differences. This attitude has been represented as an attempt to preserve the checks and balances which are a fundamental feature of our Federal system. I have characterized it in the past as all check and no balance. A sincere concern for balance would find the bankers of the country, organized and as individuals, addressing themselves to two fundamental questions. What is the necessary amount of intrusion by the Federal and State Governments in the business of banking, consistent with present-day concepts of social welfare, economic progress and democratic capitalism? How should this governmental participation be organized and directed so as to bring the intended benefits to the public while preserving the maximum amount of individual enterprise and initiative in the banking business? Except for pious platitudes, and vocal forays against sin and the man-eating tiger, these questions are seldom publicly discussed by the banking community. An organized and constructive attack on the problems—the difficult problems—they involve, is yet to be forthcoming.

Subsidiary to these general questions are a number of others on which the banking community might try to eschew the role of pressure group for the role of banking statesmen. What sort of guidance or leadership or education has been given to the public and to the legislatures, Federal and State, on such questions as the integration of debt management and credit policy, the present day role of reserves in our banking system, branch banking, the par collection of checks, selective credit controls, and bank supervision and examination, to mention a few of the matters which have been the meat of agitation and controversy within the experience of all of us?

Problem of Integration of Debt Management and Credit Policies

The integration of debt management and credit policy is not an easy job in these days of a $250 billion Federal debt, frequent Treasury financing and an economy which, more often than not, requires the discipline of credit restraint. Debt management and credit policy cannot work separately, but they can work badly or well together. Fortunately, a workable accord between the Treasury and the Federal Reserve System has been achieved, for the present. I cannot say that the banking community helped much in reaching that accord. Nor can we rely indefinitely on the loose formulations of such an accord in a world of changing personalities and economic situations.

Here is a problem which must be thought through and worked out, if we are going to make it continuously possible for general monetary controls and debt management to do their jobs. I don't think there is any monetary gadget which will enable us to dodge this fundamental problem. It demands the best thought of the banking community in its solution, and the support of that community in making the solution work. Believing, as I do, that effective general credit controls are one defense against more direct governmental intrusion in our private and personal economic affairs, I would say that this problem is worthy of the thought of anyone, or any organization, interested in fighting undue centralization of power.

Questions Involved in Banking and Credit Control

We have had the question of bank reserves presented as involving socialism and the confiscation of private property, or as involving the survival of the dual banking system, whereas the real ground of debate is the control of the money supply of the country, and how it is to be exercised in the public interest. The essence of central banking, and the primary job of the Federal Reserve System, is control and administration of the availability and cost of bank reserves. The amount of leverage the private banks are to have in expanding deposits and investments on a given reserve base is not a question of property rights or states' rights, but of "coining money and regulating the value thereof," a function specifically conferred upon the Federal Government by the Constitution of the United States. I know, of course, that when our Constitution was written 164 years ago these words applied to metal coins and their content, but they embrace the present situation in which readily transferable bank deposits have become the principal "money" of the country. This process of change and development was recognized when State bank note issues were taxed out of existence. That didn't destroy the dual banking system, but it did help to preserve our monetary system.

Another question concerning which there has been more heat than light is the question of branch banking. It should be considered and decided on the basis of the best possible service to the agricultural and business community and to the public in general. It has been too much argued, by banks and bankers, on the basis of immediate self-interest, sectional prejudices, and the competing and conflicting claims and aims of existing institutions, fighting to preserve or improve their positions.

Par collection of checks has been a matter of acrid controversy at least since the establishment of the Federal Reserve System 37

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*An address by Mr. Sproul before the Golden Anniversary Convention of the National Association of Supervisors of State Banks, St. Louis, Mo., Sept. 28, 1951.

Are Taxes Threat to Private Commercial Banking?

By MORRIS A. SCHAPIRO*
President, M. A. Schapiro & Co., Inc., New York City

Mr. Schapiro contends high Federal taxation of banks, by holding rate of return on stockholders' capital unfairly low, is major factor in withdrawal of private capital from commercial banking. Denounces excess earnings levy on banks which, he says, because of low basic net earnings puts the total tax rate on banks at 82%. Holds this makes it more difficult for banks to increase ratio of capital to risk assets.

Can independent banks continue under penalizing Federal taxation? The new Federal taxes on banks make this a serious time for management and stockholders.


Morris A. Schapiro

The issue is the continuation of private enterprise in commercial banking. Federal taxation retards the ability of commercial banks to grow with the expanding needs of industry and to furnish the essential services demanded by a defense economy. Let no banker imagine that because his bank seems unaffected today, he can count on being immune tomorrow. A threat now to any one group or class of banks is a threat to the entire assembly of banks. Unless bank management can provide a constructive answer and make its problems clear to the lawmakers, the nationwide trend toward liquidation, consolidation and withdrawal of banking capital will be intensified.

Even now, at the old rates, Federal taxes cancel out the increased business of commercial banks and hold the rate of earnings on their stockholders' money unfairly low, despite the expanded services and risk assets which these banks have had to assume. Federal taxation keeps bank shares at discounts from liquidating values, and becomes, therefore, the major factor in the withdrawal of private-capital from commercial banking. This development can be seen in the increasing number of bank mergers throughout the country.

But the merger trend, under way since World War II, developed at a time when the tax situation was still relatively mild. In these years, banks subject to the lower tax rate were able to moderate the impact of taxes through deductions for bad debt reserves and other transactions.

Effect of "Excess Earnings" Levy

Now, however, an increasing number of banks must bear in 1952 the full brunt of the higher 52% regular corporate rate plus the additional 30% rate on their "excess" earnings. And this at a time when the special tax credits, so helpful in the past, are running out.

Many banks are already approaching the ceiling for their bad debt reserves. The full effect of Federal taxation on banks will not be understood until managements analyze realistically their estimates for 1952 especially where additional capital is contemplated. These findings are certain to be painful.

Bankers will see, many for the first time, the "4% absurdity" in the invested capital method which most banks must use in computing excess profits taxes. Under this method, normal earnings before regular taxes are defined at 12% on the first $5 million, 10% on the second $5 million, and 8% on additional invested capital. These rates appear adequate but, after the new regular taxes of 52%, the net of less than 6%, 5%, and 4% is no longer adequate.

In the case of large banks with capital in excess of $10 million, this rate of less than 4% means that the law establishes in principle a normal return fixed under Federal enactment of $3.84 of recurring earnings per $100 of stockholders' money. This low return for banking capital would have to be appraised in the investment market at 26 times to support quotations equal to book value, a valuation admittedly out of line and unreal in the market for equities. Hence, the discount on stockholders' money.

The so-called "excess profits" of banks — the amount over and above these low normal earnings — are in effect to be taxed at the rate of 82%, the total of normal and surtaxes of 52% and excess profits taxes of 30%. It is a serious question whether shareholders, understanding the impact of these taxes, would want their banks to assume banking risks while subject to this 82% rate, or even the 69% overall ceiling rate proposed by the Senate, a provision theoretical in the case of banks.

Most corporate businesses, however, use the so-called average earnings method in computing taxes. Railroads and utilities, which are exceptions, use the invested capital method, but they sought and obtained Federal recognition of their particular problems.

Their managements made careful presentations to the tax authorities convincing them of the fairness of defining normal earnings at 6% after regular taxes, but before being subject to any excess profits taxes. This compares with the less than 4% normal return, in the case of the larger banks, on their invested capital in excess of $10 million.

Clearly, Federal taxes will prevent banks from paying dividends commensurate with their stockholders' investment.

Banks must compete with all other businesses for capital. How can they succeed when they are caught between Government control of interest rates, reserves, etc., and Federal taxation designed for industry? The railroads and utilities were able to state their case effectively and so obtained special provisions. Where were the banks? Perhaps even now it is not too late.

Bank managements can wait no longer to obtain equivalent treatment. Until this inequity is corrected, bank shares will continue in disfavor as prime investments. The discount will remain, new capital will be increasingly difficult to obtain, and the number of independent banks will decrease.

Yet only last week Secretary of the Treasury John Snyder, speaking in St. Louis at the Annual Meeting of the National Association of State Bank Supervisors, expressed his concern that bank capital in relation to risk assets is now lower than at any time in the past twenty years. He pointed out that capital accounts have been expanding steadily since before the war, but the increase has not kept pace with the rise in risk assets.

We know that in 1950 alone, insured commercial banks expanded their loans $11 billion or 22%. At the end of 1950, their total loans had reached $61.6 billion, an expansion of $31.2 billion or 102% in five years.

But what incentive is there for bank stockholders to supply this needed capital? The limitations of Federal income and excess profits tax laws on earnings make proposals for capital increases unattractive for most banks.

Under the circumstances, can bank managements properly recommend to shareholders that they vote capital increases, necessarily priced at a discount? How can we justify soliciting new money when in these good times old money is at a discount? The Secretary of the Treasury and other public authorities do not underestimate the importance of adequate banking capital to the economy. Since the Secretary is concerned with the problem, an opportunity exists for you to explain your tax difficulties at the highest level. He will understand why taxation of banks should not bear heaviest on those in the greatest need of capital.

Meanwhile the composition of bank ownership is changing. This phenomenon is in accord with the new supply of investment funds and is true in other fields as well as in banks. Increasingly bank shares are moving from private to institutional hands, insurance companies, investment trusts, pension funds, savings banks and others.

These owners see that bank stocks are not standing up as well as other investment equities. While not interfering in management, these fiduciary holders are alerted to the performance of their banks, especially under excess profits taxes, and are waiting to see how bank managements propose to meet the problems ahead.

These investors see the record totals of loans and deposits, and note the progressively higher interest rates on loans and securities. Yet out of all this prosperity business, come only depressed rates of return. And the full effect of taxes is yet to be felt.

Is it any wonder that many stockholders are concerned over the outlook for their investments? Let us not forget that banking is in competition with other enterprises for new capital. Stockholders are unable to reconcile prosperity business with their banks at a discount. Unlike bankers, stockholders are not making a career of the banking business.

If independent banks are to continue, they must be profitable to their stockholders. Obviously, they cannot on the basis of destructive tax rates.

Your responsibilty as Controllers is clear. Never before has it been so important for banks to avoid the luxury of wishful thinking and self-delusion. It is urgently necessary to distinguish pure earning power, the only basis for cash dividends, from capital transactions and their tax effects. Tax recoveries resulting from capital losses or provision for bad debts, however important, are no basis for dividend payments. It is essential that you keep in clear view for yourselves, your stockholders, and the taxing authorities, the extent to which Federal taxation is restricting your net bread-and-butter earnings, the only true basis for recurring dividends.

The future of bank capital depends on the success with which you and your managements present your stockholders' case before the Federal authorities.

*Excerpts from remarks of Mr. Schapiro at the Annual Meeting of the Controllers Institute of America, New York City, Oct. 2, 1951.

Vincent M. Doherty With Gordon Graves Co.


Vincent M. Doherty

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Vincent M. Doherty has become associated with Gordon Graves & Co., Shoreland Arcade Building. He was formerly with John L. Ahbe & Co., Emerson & Company, and Leedy, Wheeler & Alleman, Inc. In the past he conducted his own investment business in Florida.

First Oakland Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Graves D. Hudson, Sr. is now with First Oakland Corporation, Financial Center Building.

Joins Mason Bros.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Ralph L. Wilder has joined the staff of Mason Bros. Central Bank Building, members of the San Francisco Stock Exchange.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Fred W. Sauer is connected with Waddell & Reed, Inc., 1012 Baltimore Ave.

Big Business and Government Regulations

By T. S. PETERSEN*
President, Standard Oil Company of California

Though holding government regulation of business is essential to public welfare, Standard Oil executive, in pointing out recent legislation extending powers of commissions and bureaus, poses question: "How much farther can we go without undermining foundations of our business system?" Upholds freedom of enterprise as basis of efficiency in industrial operation. Says "assembly line system" is backbone of American production, but it is endangered by cumulative weight of sweeping controls.

A businessman who sets out to talk realistically about government regulations has to approach his subject somewhat differently from the way a revival preacher approaches the matter of sin. The reverend speaker can come out flat-footed against it, without the least fear of contradiction. But a businessman can't come out flat-footed against regulation, because the fact is that there must be a certain amount of regulation in the public interest. To argue otherwise would be to preach a form of anarchy.

T. S. Petersen

The public must have regulations covering numerous contingencies where public safety or welfare is directly at stake, even though it might be assumed that 95% of the operators in each industry would act just as responsibly if no such laws existed.

The welfare of the people has to be safeguarded by certain regulations in other fields. There have to be rules to protect the investing public so long as there are deadbeats and swindlers in the world. Standards of integrity and performance have to be set up and enforced generally throughout business and industry. This must be done if only as leverage for ridding business and industry of that fringe of sharpers that attach themselves to any field of legitimate enterprise.

No one can object to these proper restrictions. We all accept, indeed welcome, necessary rules covering the conduct of banking, safe navigation of ships, prevention of the squandering of vital natural resources. The prevention of monopoly and the safeguarding of free competition and the rights of small businesses are valid concerns of the Federal Government.

There never has been, and there never will be, a time when our government didn't have some hand in the affairs of business, big and small. The problem is to determine how heavy that hand should be, the degree to which government regulation ought to go, and the place it ought to halt, so that this country, this great economic system of ours, may best take us where we want to go, in the style in which we want to travel.

New Moves to More and More Regulation

Recently, each passing year has brought new moves toward more and more regulation. They are proposed through statute, through the extention of the powers of bureaus and commissions, and through the constant redefining of antitrust laws by scatter-gun prosecutions and expanding court decisions. The critical question is, how much farther can we go before these restrictions undermine the foundations, the very survival capacity of our historically-proved American business system?

I believe earnestly that this great industrial system is in grave danger of being literally tinkered and bossed and regulated to death. In some cases, these moves are ideologically motivated, in others they spring from the political philosophy that everything can be cured by another law.

Now, it is a curious fact that these drives are always cloaked in righteousness. When they come from someone high in government they are made to sound downright patriotic. You've seen this technique at work. When a businessman starts to put up a defense of his right to run his legitimate affairs successfully he is practically certain to find himself attacked, directly or by implication. He is the enemy of the people and a betrayer of the founding fathers. Only a little thought as to the origins of our system and the intentions of the men who created it demonstrates the falsity of this appeal to prejudice.

When John Adams and Thomas Jefferson and Benjamin Franklin and the others drew up a Declaration of Independence they certainly weren't prompted by any notion that there was too little government, with too little regulatory control. You remember what they were talking about in that document — a government both sensitive to and subordinate to the will of the people. And you will recall the list of grievances, all having to do with the unwelcome efforts of George the Third to regulate arbitrarily the affairs of the free-spirited citizens of the New World. It seems to me that we stand among distinguished precedents when we complain of those who want government to have a heavy hand; we need not feel embarrassed by the company we keep.

The founding fathers were certainly indignant and outraged patriots, but they were also shrewd, imagination political and economic philosophers. In laying out the scheme of a government that interfered as little as possible with the rights of private citizens, they weren't just reacting blindly against tyranny; they also methodically laid the groundwork for what they conceived as a constitutional system capable of doing the utmost for the people it served. And they were so right!

They knew that freedom was not meerly pleasant and enjoyable. They knew its practical usefulness as well. They knew that free men brought a spirit and a vigor to their work that couldn't be had from subservient men.

So they designed and built the framework of a government whose main function was to safeguard that freedom and provide a climate where the incentive of unlimited opportunity would prompt men to their best efforts.

If there had not been this freedom—if the government from the outset had followed the European pattern and kept a tight, proprietary grip upon business and industry, we should have had, at the minimum, the stifling climate of constant fear — fear that the fruits of industry might be swept away at any time by a slight change of attitude at the top. That climate makes for caution and stagnation, not boldness and progress.

Free Enterprise and Efficiency

Probably the most important practical result of this well guarded freedom of enterprise has been an unmatched degree of efficiency in the industrial operation. With consumer and producer in a free, unhampered bargaining relationship it has been virtually impossible for a man or firm to make the grade with an inferior product or one whose cost was too high. That has been the great, natural regulator of our free system. If people bought your product, and kept on buying it, in preference to others in the same field, it had to be good. If people didn't buy it, you knew something was wrong with your methods, and either you changed them for the better or you quit and went into something else.

In a sense, this is a stern system. But, is it really so severe? No more so, it seems to me, than for a perceptive and shrewd professor to call up an untalented student in an engineering course and tell him, "Look, son, there's no future for you here; why don't you try another field?"

Society could carry the boy along, see to it that he got a degree and a job in engineering and stayed in it for a lifetime. But it wouldn't make a first-rate citizen of the boy. And, what's more important, it wouldn't get many great dams or bridges or machines built. It seems to me that those who are going to use the dams and bridges and machines are entitled to consideration, entitled to exercise their free choice as to what kind and quality and quantity of these things their money is going to buy. That's how our system has worked. And that's how we happen to have the best, and more numerous, dams, bridges and machines of any people on earth.

The organization of companies geared for mass production developed naturally within this kind of system.

Where ingenuity and efficiency got the rewards and the impetus from this selective system, certain things were bound to happen. Ways and means were bound to be discovered to produce goods better and faster. The better and faster they were produced, in our free system, the higher would grow the general level of prosperity and the greater would grow the demand for the goods.

Under the impetus of this kind of mushrooming demand, the assembly line sprang into being as the backbone of American production. The collectivist countries boast of their cooperative enterprises. But, the world never saw cooperation approach the peak of perfection freely attained in the production of the American automobile.

On a typical assembly line the products of literally hundreds of companies are funneled in. Whole great industries, each with thousands upon thousands of workers, wth factories scattered over half a continent, all meshed together and cooperating with the rhythm of a fine watch. And not only big companies but middle sized ones and small ones—all joining hands and brains to keep that endless procession of gleaming cars flowing steadily and swiftly.

On two dramatic occasions within our memory our free-swinging industrial system has met mortal challenges. In each case defeat meant ruin. In each case our main adversary was a renowned and formidable military power with great industrial power, great scientific and engineering knowledge. In each case, but especially in World War II, the throttle was thrown open on our industrial plant, and the sheer velocity of the operation set up stresses and strains that were bound to show up any glaring flaws, or even any little ones of any importance. But the remarkable thing was that the greater the pressure the better the system worked. We not only won that last great war by a wide margin, we came out of it with an industrial system intact and eager to get at the job of peacetime production to fill the great pent-up needs.

A Domestic Challenge to Our Economy

But despite these historic victories over challenges from abroad, another kind of challenge has been forming. This has been a domestic challenge, and harder to meet because it was not a challenge in the area of strength, of power to produce well, or mount a good defense. It is a challenge of the legal and moral right of our free business system to remain free.

It has not been exactly a new challenge, either. The nation has never been without a fringe of social planners who wanted to throw overboard the whole set of original blueprints and substitute their own. But, for the last two decades their voices have been louder and they have commanded attention in Washington. Only during the war years were their voices stilled, and then only because even they recognized that business and industry had to be unhampered if they were to do the job the nation needed done.

Threat of Systematic Extention Of Government Control

What seems to be the impulse that guides this urge for ever more rules and regulations?

The immediate aim obviously is the systematic extension of governmental control of industry. Management will be so circumscribed as to be unable to do the kind of job the evolutionary processes of our industrial system has placed in its hands. And then, there will be only the government to turn to—and the social planners.

Now, we have conceded that some regulation is necessary, but it is imperative to the very preservation of the American system to keep those controls down to the minimum consistent with actual necessity, defense requirements and the rights of the people.

A Study of the recent record fails to disclose any easing of the pressures for more controls. They come from some union leaders, from some educators, from some few members of Congress, from some office-holders. With a diligence that seems far above and beyond the call of any conceivable duty, these strange bedfellows have taken out after big business — the whole, sweeping system of big business—with the clear intention of bringing it to heel.

Once you've got your hands on the mass-producing industries, the very foundation of this mechanized economy, the rest will come easy. There's hardly a small businessman in the country, hardly a farmer or artisan or tradesman, who doesn't depend upon the efficient and continuous output of great industrial corporations for the very tools of his trade. If big business is regulated into impotence these others will be push-overs, ready for centralized control.

Even if, as a big business, you

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*An address by Mr. Petersen before the Mortgage Bankers Association of America, San Francisco, Calif., Sept. 13, 1951.

Investment Company Securities As Trustee Investments

By ROBERT L. OSGOOD*
Vice-President, Boston Fund, Inc.

After reviewing progress in liberation of investment trust fund laws, and revival of the "Prudent Man Rule," investment company executive traces efforts to obtain legal approval for trustee investment in investment company shares. Points out at present all but 17 states permit trustees to invest in these securities, and reports on efforts to remove these barriers.

When I was invited to address this meeting on the subject of the Prudent Man Rule, I was delighted to accept: first, because of the pleasure to be derived from taking part in meetings of a group which is dedicated to the important task of making sure that investors of all types receive proper guidance and protection in selecting investments to meet their investment needs; and secondly because of the fine opportunity it gives me to further the cause of those many thousands of unfortunate trust beneficiaries who are attempting to maintain a decent standard of living today on the same, or even lower, dollar income they receive 10 or 20 years ago. In the past 10 years, fiduciaries throughout the country have become increasingly concerned about the lot of their beneficiaries. The cost of living has risen rapidly, income taxes have also increased—but the dollar income of their beneficiaries has certainly not increased.


Robert L. Osgood

To point up the problem, let's think a moment about the case of a widow who receives $5,000 a year income from a trust fund set up by her late husband before he died in 1941. Her husband left his entire estate to her in trust because she knew nothing about the investments which constituted his entire estate. He chose as trustees two close friends in whom he had the utmost confidence. He had observed over many years their astuteness in handling their own personal affairs. This widow was to receive the income from the trust, and the corpus was to go to her two sons upon her death. Her husband had failed, as many others had before him, to specify in his last will and testament just what the trustees' investment powers were to be. In fact, it had never occurred to him that he needed to specify their powers—his concept of a trustee was a man who could carry on the family financial affairs after his death as he would have carried them on himself.

But when he died and the trustees took over the responsibility for his widow's support they soon learned, after talking with more experienced trustees, that they had better stick to securities authorized for trust investment by the laws of the State; and these laws specified that trustees should invest only in securities which appeared on a "Legal List" comprised almost entirely of fixed-income securities. While it occurred to them that they could make the funds at their disposal earn substantially more for the beneficiary, they hesitated to buy any equities because of the danger of being held personally liable to make up any losses they might possibly incur.

Fortunately, the widow could get along quite nicely on the $5,000 a year she was receiving anyway in 1941. She was able to maintain her small apartment in rather comfortable repair and to retain the services of her old family housekeeper. With no dependents to worry about, everything was all right. But now, 10 years later, things are quite different. Her $5,000—if we can assume she still receives $5,000—just won't go as far as before the war. In fact, it isn't enough to meet her bills any more—her rent has gone up, her monthly food bill has increased; her utility bills, in fact all of her bills, have gone up and up—and even her old housekeeper has complained many times that she can't continue to work for the same old $20 a week. Uncle Sam now takes $600 of our widow's $5,000 in taxes, and it is rumored that he will soon take more.

So the widow's actual income has dropped to $4,400; and, even worse, though she may not realize it, the buying power of her gross income of $5,000 has dropped almost 50% to $2,600 in the last 10 years—barely more than half of what it would buy when her husband departed in 1941. When she points this out to her faithful trustees, they can do no more than tell her that nothing can be done about it. But they do agree privately that they wish they had never taken on the job.

*An address by Mr. Osgood before the 34th Annual Convention of the National Association of Securities Administrators, Oklahoma City, Okla., Sept. 19, 1951.

Need for Change in Trust Fund Laws

Trust beneficiaries across the nation are faced with the same problem, and many of you, I am sure, know of such instances in your own town—not only in the case of individuals, but in the case of churches, hospitals, schools—any number of organizations run by trustees who are bound by State laws to invest only, or with few exceptions, in fixed-income securities which return the same dollar amount to beneficiaries year after year. Just as these outmoded laws cause hardship to individuals such as our widow, they also harm the community at large. What most citizens don't know is that they can do something about it—that if they face the fact squarely and take steps to change the outmoded investment laws governing trustees and other fiduciaries, much can be done to improve things.

There will be, of course, as there has been in many States which have corrected the situation, all sorts of opposition from those steeped in the tradition of the old way of doing things and from various self-interest groups—and unfortunately most of the opposition will come from well established men in the community who built their own success under the old system when it still did an adequate job. That makes your task more difficult, but it also makes it more challenging for men such as you whose primary objective is to see that securities purchased by individuals and institutions in your own States do an effective modern job for their owners and beneficiaries.

Many of you have already taken an active part in successful efforts to pass remedial Prudent Man legislation in your States; many of you are engaged in efforts as yet unsuccessful; and some of you may be still inclined to the belief that the Prudent Man legislation is dangerous. It is my sincere desire to persuade any of you who may still oppose such legislation that it can hardly be anything but beneficial if properly set up and supervised. After that, I would like to trace briefly the history of the Prudent Man Rule and touch on recent developments which may be of interest and encouragement to those of you who are still engaged in a struggle to modernize the laws of your own states.

The "Prudent Man Rule"

The Prudent Man Rule as originally propounded by the Massachusetts Supreme Judicial Court in 1830, in the case of Harvard College vs. Amory, is the basis from which all Prudent Man legislation has been developed; and the language of Justice Samuel Putnam who handed down the Court's decision is not far different from that appearing in The Model Prudent Man Statute which has served as the model for most of the recent legislation you have all heard about. At that time, 120 years ago, in a case which might easily have involved the same widow we have been discussing, Justice Putnam said that "All that can be required of a trustee to invest is that he shall conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested."

The implications of this straightforward language are clear. Justice Putnam was saying, in effect, that the grantor's instructions to his trustees to invest the trust funds "according to their best judgment and discretion" meant just that. Their instructions in the trust were to pay the income to the widow during her lifetime and to pay the funds remaining at her death one-half to the President and Fellows of Harvard College for the support of a Professor of Ancient and Modern History and one-half to the Massachusetts General Hospital. The unfortunate fact that the trustees' best judgment and discretion resulted in a loss of capital caused the College and the Hospital to appeal to the Supreme Judicial Court of Massachusetts to set aside the decree of the Judge of Probate who allowed the probate accounting and to require the trustees to make up the loss out of their own pockets.

In announcing the Court's decision in the case, Justice Putnam considered a number of points and questions which are still argued today by those who oppose Prudent Man legislation. Such persons believe, among other things, that all trustees ought to be made to invest solely in fixed-income securities approved by a State Committee, only excepting those trustees whose trust instruments spell out more liberal powers with utmost clarity and detail. Courts have rendered enough decisions of this kind against trustees in the distant past in Legal List States so that many trustees and fiduciaries still do not dare to run the risk of making equity investments, even though they know that the grantor would have wanted them to do so—particularly in cases where their failure to do so might visit hardships upon the income beneficiaries.

The presiding justice expressed the following two important points as underlying its decision: first, he pointed out that the grantor had chosen trustees in whom he had great confidence to carry out his instructions. This was a most important point in his opinion and still is today. I ask you to reflect on this for a moment. Does any man choose trustees to supervise his family affairs who are not in his opinion capable of carrying out his own wishes better than anyone else he knows? Would you or I? I don't think we would. And, if we believe in our own free rights to select trustees whose judgment we respect and in whom we have the utmost confidence, is it then consistent for us to support the continuance of laws which will force our trustees to operate, not in accordance with their own best discretion and confidence, but in accordance with the judgment of individuals we do not know—and, incidentally, individuals who did not know us and have no possible way of knowing how we would have wanted our money to be used after we passed away? Again, the answer is "no."

But that is the situation which faces those of us who live in Legal List States today unless we have studied the problem and have met it by having an attorney draft a trust instrument which specifically grants our trustees broad and explicit investment powers and which will protect their rights to exercise those powers through changing economic and political times. Such an instrument, carefully drafted, is less likely to be subject to different interpretations by many different judges with many different economic and political beliefs in the future — ten, fifteen, or even twenty-five years from now.

Justice Putnam also stated, secondly, that "to compel trustees to make up a deficiency not owing to their willful default is the harshest demand that can be made in a Court of Equity." It is hard to imagine that any of us, after choosing trustees in whom we have confidence, would be unreasonable enough to include in our trust instrument a provision to the effect that "my trustees should make up any deficiency arising out of their inability to select investments which appreciate or maintain the market price in effect at the time of my death." None of us would do that. Yet, gentlemen, if those of you who live in Legal List States leave a trust instrument which fails to specify your trustees' investment powers in a most explicit manner, you are in effect subjecting your trustees to the same harsh risk, if you expect them to manage the affairs of the trust as you would have managed it yourself; and, unfortunately, all too many men like ourselves have left their trustees in such an unconscionable dilemma without realizing it, in the past—and many men who do not have the benefit of the services of a highly skilled trust draftsman are still doing it.

Indeed, it is a mater of fact, not opinion, that many trustees and fiduciaries in all of our Legal List States do not dare to invest the funds under their control as they know the donor would have wanted them invested for the benefit of his family because of the fact that some judge might be forced by law to require them to make up out of their own pockets any losses they might incur by selecting a portfolio that happens to be low in price at the time the trust terminates—at a time which is usually determined solely by the hand of the Almighty. The result is, of course, that most of these trustees do not, in the words of Justice Putnam, "undertake such a hazardous responsibility."

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Safety Yardsticks for Measuring Commercial Bank Assets

By WARREN N. GAFFNEY*
Commissioner of Banking and Insurance, State of New Jersey

New Jersey State Bank Supervisor, commenting on shift of commercial banks to mortgage loans and capital financing, reveals changes in asset holdings of New Jersey banks. Notes decline in ratio of bank capital to risk assets, and foresees problem in banks obtaining additional capital, due to slender profit margins. Advocates Federal Government and states collaborate in effort to maintain reasonable liquidity of banks, and to attract new capital adequate to their expanded deposits.

I have chosen as my topic "Changes in the Composition of the Assets of Commercial Banks and in Certain Yardsticks of Safety and the Implications of Such Changes." I realize that the subjects which I shall touch upon are by no means unique, nor do I have any cure-all for the problems posed. However, it is my hope that I may succeed in pointing up some of the dangers inherent in existing conditions and thus stimulate the thinking and the energies of all interested officials and bankers to the end that eventually solutions or at least improvements may be achieved.

Warren N. Gaffney

Up to about 10 years ago, leading bankers and other banking authorities, whose advice was regarded as sound, uniformly held that commercial banks, with their deposits subject to call on demand or on 30 days' notice, should not put their funds into long-term capital loans and, certainly, not into mortgage loans. They adhered rigidly to the belief that mortgages especially were suitable investments for insurance companies, private lenders, building and loan associations, fiduciary investors and, to a lesser extent, savings banks, but not for commercial banks. It should be remembered that until the late 1930s amortization was not the practice. Except for those who had come within the influence of building and loan associations, borrowers had not been educated to pay off their debts and related interest in regular installments, nor had lenders indicated any desire that such a practice be inaugurated.

Shift to Mortgage Loans

However, the experience of the depression years brought forcibly to the attention of the large lenders, including insurance companies and Federal mortgage loaning agencies, the knowledge that the mortgage borrower had to be educated; he had to be taught that it was better for him, as well as for the mortgagee, that there be included in the mortgage provisions requiring regular monthly payments of interest and principal. In the course of time amortization of mortgages gained favor generally. Observing the operation of this change, country bankers overcame their traditional fears of mortgages as investments for commercial banks. And so, in quest of higher earnings and in the absence of a demand for other loans, they turned to mortgages rather than to government bonds. It was not long before mortgages to the amount of many billions of dollars found their way into the assets of our commercial banks, especially the country banks.

Now let us consider other loans. Some five or six years ago loan demand, which had long been in the doldrums, began to reappear throughout the nation. Banks holding huge amounts of Federal obligations, a result of the government's method of financing World War II, were in a position to take care of the steadily increasing calls by business for loans. These demands snowballed all over the country to a point so high in the aggregate as to cause concern to the Federal Reserve authorities, charged as they are with the duty of keeping credit conditions sound. It became clear that such lending was adding greatly to inflationary forces, which already had reached the stage where the purchasing power of the dollar had been cut in half.

Restrictive Loan Efforts Ineffective

At first the efforts of the Federal Reserve to slow down the march towards inflation were ineffective. Increases in bank reserves, which in the past had been a deterrent to credit excesses, were meaningless so long as the Federal Reserve, in furtherance of the cheap money policy of the Treasury, stood ready to purchase unlimited amounts of government bonds. In this situation, of course, the banks were daily selling substantial amounts of such bonds to the Federal Reserve to obtain funds needed to supply the hungry demands of their customers.

It is true that, finally, as a result of the withdrawal by the Federal Reserve of its support of government bonds and their consequent drop below par, and the imposition by it of drastic but wise controls, a healthy slackening of the speed of the country's economic machine was accomplished. It remains to be seen, however, whether Congress at the insistence of a sometimes shortsighted public, will by one means or another nullify, in part at least, the value of the restrictions placed upon loaning sources. Many authorities argue logically that in the light of present conditions more, not less, restrictions are called for; that the over-all cost thereof is not too much to pay to block the additional inflation which many financial authorities tell is on the way.

It is interesting to review the changes in the composite balance sheet of our banks as a result of their new partiality to mortgages and their financing of the heavy demand for loans, much of which has been of a capital nature. Many of these loans grew out of the large expenditures required by our country to finance its defense requirements. The fact remains, however, that the loans of all insured banks in the country increased nearly 22% or about $11 billion in 1950 alone, and that an expansion of 102%, or over $31 billions, occurred during the last five years. To illustrate this trend let me take the case of my own state, New Jersey, which is composed largely of country banks and whose experience probably is typical of most states. A comparison of the balance sheet figures of the 134 New Jersey state chartered commercial banks reporting for June 30, 1945, with those of the 121 state commercial banks reporting six years later as of June 30, 1951, discloses the following:

Mortgage loans: up 138%
All other loans: up 121%
Government bonds: down 27%
Time deposits: up 22%
Demand deposits: up 30%

Mortgage loans in 1951 represented 15.4% of the total assets of New Jersey banks, whereas in 1945 the comparable ratio was only 7%. Similarly, loans other than mortgage loans accounted for 15.6% of total assets in 1951 compared with 7.6% shown in 1945. In other words, mortgages and other loans in 1951 represented 31% of total assets as against 14.6% in 1945.

Fall in Ratio of Capital to Risk Assets

The ratio of capital funds to risk assets in New Jersey's state banks, which stood at 26% in 1945, has fallen steadily until today it is only 16%.

Banks' capital funds, of course, have been unable to keep pace with mounting deposits, which have become inflated by the conditions growing out of World War II and the monetizing of the billions which that war cost through the government's method of financing. Yardstick ratios used to test the adequacy of capital of banks have fallen nationally from around approximately 25% of capital funds to risk assets, in vogue a few years ago, to a ratio of about 17% today, the lowest in over 20 years. This is in the face of what might well prove to be further inflation and the increase of deposits which inevitably accompanies it.

Does this mean that before long supervisors, state and national, will be looking to banks to supply additional capital to provide what is determined to be appropriate protection for deposits held? If that be so, then we are faced with the $64 question: To what source can banks look for fresh capital if they are directed to raise it? Certainly the prospects for selling new stock do not look any too promising. Although presently banks are enjoying above average gross earnings due to their heavy loans, too little of such earnings may be retained as net profits because of greatly increased expenses and Federal income taxes. On the other hand, as we all know, the net, as well as the gross profits of almost all other corporations are breaking records. Under the circumstances, it is not surprising that the vast majority of people who are buying stocks because of probable greater returns and capital gains, or as a hedge against inflation, do not include in their portfolios a place for bank stocks. This lack of popularity is evidenced by quotations for bank stocks which represent discounts of 25% off book values as to metropolitan banks and discounts up to 50% for country banks. As a result many of us have noted, and not without some misgivings, the trend of banks to sell their assets to competitors at book value or slightly more, or to shop about among competitors for possible mergers.

Several Recommendations

At the outset I assured you that I had no cure-alls to propose. However, I do want to leave with you several suggestions.

It seems to me that in view of the extent to which banks have invested in mortgage loans, it would be farsighted for state and Federal supervisors in the various zones to collaborate in a study of the problem in an endeavor to maintain a reasonable liquidity in our banking institutions. If we could agree upon some satisfactory limitation on investments in this type of security which would not curb unduly the bank's ability to operate profitably, perhaps it would be in order to seek appropriate legislative definitions in the premises.

Finally, I would like to direct your attention again to the difficulties banks are facing in their efforts to build up reserves and attract new capital adequate for ever increasing deposits. In a nut shell, this is a call for relief. The action of the U. S. Treasury, taken several years ago, permitting banks to set up reserves against future loan losses based on their past loss experience was helpful. It is not enough however.

The Federal Government has been of great assistance to groups such as the farmers because of their obvious importance to the well-being of our country. Certainly no one can question the assertion that banks too are a major factor in the smooth functioning of our economy. Do not misunderstand me. I am not urging a subsidy for banks. However, I do believe that recognition should be given to the obvious disadvantages banks suffer when they compete with other corporations for much needed new capital and that further tax revisions should be made so that banks may retain a greater percentage of their earnings wherewith to build up capital funds.

*An address by Commissioner Gaffney at the Golden Anniversary of the National Association of Supervisors of State Banks, St. Louis, Mo., Sept. 28, 1951.

LETTER TO THE EDITOR:

Return to Sound Money, Solution To Cost Problem of Gold Mining

George F. Bauer, Vice-Chairman of the New York Board of Trade, writes return to fixed gold standard would stabilize gold mining costs and thus prevent fluctuating free gold markets.

Editor, Commercial and Financial Chronicle:

Some observations on the dual functions of gold as a monetary base and as a commodity of commerce seem warranted in view of the article on "The Gold Mining Industry in Canada" by Mr. R. E. Dye appearing in the September 20th issue of your publication.

George F. Bauer

It appears that the Canadian gold mining industry is being adversely affected by mounting operating costs under a "half and half" system whereby monetary units are redeemable in gold at a definite rate for central banks, but irredeemable in gold for individuals.

It is unfortunate that Mr. Dye, rather than approaching the problem of inflationary costs of operation through recommendation for a thorough-going gold standard with a fixed rate equitable to both individuals and central banks as holders of representative money, urges a procedure exempting a government from making good on its representative money at any definite relationship to gold.

Under that arrangement, costs of operation may be expected to continue to rise and the representative money sink more in its purchasing power and thereby impair still further all forms of savings by the public. In 1934, the gold content of the U. S. dollar was reduced from about 1/20th of an ounce to 1/35th of an ounce. The buying power of representative money decreased by about 50% and it is reasonable to assume that any further reduction in the gold content of the dollar under so-called "free gold markets"—but actually devaluation that fluctuates constantly, as occurred in France—would decrease its buying power still further and consequently increase operating costs of not only the mining industry but of all enterprises. A thorough-going gold standard at U. S. $35 per ounce by making the government responsible for its issues of representative money might on the other hand be expected to hold excessive expansion of money supply under restraint and keep operating costs at reasonable levels.

Then, too, there is a difference in so-called "free gold markets." Under a thorough-going standard there are also free gold markets but governments are compelled to make good on their representative money for all holders by offering to buy or sell gold at a definite relationship such as $35 per ounce of gold in the instance of the United States.

Under the other so-called free markets, governments can continue unrestrainted to issue representative money but not be obliged to make good on it for all holders at a fixed relationship to gold. The latter type of free gold market devoid of governmental responsibility in gold for representative money can result in nothing but the kind of fiscal debacles tragically being witnessed in numerous foreign countries today.

A real solution to the problem of the gold mining industry is in the direction of a sound money standard with fixed relationship between representative money and gold and consequent improvement in operation costs in mining their product, and not in the direction of "fluctuating" devaluation of monetary units divested of governmental responsibility under so-called free "gold markets" but perhaps better termed "free run-away" gold markets.

GEORGE F. BAUER
Vice Chairman
New York Board of Trade

291 Broadway,
New York City 7, N. Y.
Sept. 21, 1951.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George T. Wood has become connected with Dempsey-Tegeler & Co., 210 West Seventh Street. He was previously with Edgerton, Wykoff & Co.

C. A. Botzum Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Mark A. Pines has become associated with C. A. Botzum Co., 210 West Seventh Street.

Paul Koughan Joins J. A. Hogle & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Paul J. Koughan has become associated with J. A. Hogle & Co., 507 West Sixth Street. Mr. Koughan was formerly an officer of Cantor, Fitzgerald & Co., Inc. and prior thereto was with Hexter & Co. and King Merritt & Co.

With Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—William S. Kearley is now with Thomson & McKinnon, 340 Central Avenue.

Continued from page 5

Observations . . .

(2) Translating the conclusion into investing policy.

Under (2) the investor with cold-blooded objectivity and free from political bias will make up his mind whether this external factor of inflation should lead him to deviate from sound policies based on value criteria, and specifically whether and how it should affect his run-of-the-mill portfolio decisions.

Inflation-Deflation Prospects

We will take it for granted that this country will avoid the drastic degrees of the past European inflations—as in France in 1791 (as vividly described by Andrew D. White in *"Fiat Money Inflation in France"*) or in her World War I 8-fold price rise; in Germany, 1913-1923, when prices advanced 1½ trillion-to-one; or like the various Continental countries' inflations of the 1930's and 40's (as itemized in the table below). But it seems relevant to gaining perspective on the future to recapitulate briefly the chief continuing pro- and anti-inflation elements.

Pro-Inflationary over the long term:

(1) The public popularity of price rises in contrast to declines, viz., President Truman's recent aren't-we-all-better off-through-spending pronounciamento.

(2) Full employment policies and union strength.

(3) Ever more segments of the population getting on the inflation escalator; acquiring a vested interest in inflation, and thus sabotaging efforts to curtail it.

(4) Various politically-motivated forces. Powerful pressure groups, as the farmer getting his enormous subsidies, working on the Congress—a non-partisan democratic process.

(5) In a democracy no government wishing to be eligible for re-election being able to afford a sizable depression.

Anti-Inflationary:

(1) The nation's great productive capacity. It has always caught up with demand in non-war times.

(2) Historical non-correlation of increase in money supply and credit expansion with price rises.

(3) Expansion can occur without inflation (a frequent cause of confusion).

(4) Rising taxation of individuals' incomes. Effective at least temporarily in the economy, and permanently in the investment scene.

Not One-Way Street

Even if we are convinced—as is this writer—that the very long-term secular trend is in the direction of monetary depreciation here, as in all democracies; it is important also to realize that inflation is by no means a one-way street.

It is true that in this country the wholesale price level during the first quarter of this century more than doubled, and that during the second 25 years it rose by 70%. But in the first place, it must be borne in mind that both these periods encompassed major wars. And in the second place, it must be remembered that in this, as in other countries, there have been drastic reversals in the secular upward trend. Between 1920 and 1922, prices fell by 40%, between 1920 and 1931 by 50%, and between 1929 and 1932 by 30%. Over a longer period, **their peak of 1920 was not re-attained until 1948**; and even now several commodities are selling no higher than at the earlier period.

In France, similarly, between 1920 and 1922, there was a rise of 30% in the gold value of the franc and a 37% drop in the retail price index—accompanied by a 25% fall in stocks and a rise of 20% in Rentes (government bonds). In 1930-1935, she experienced a drastic decline of 40% in her price level, with a 60% drop in equities.

Even in Germany, midst her era of devastating monetary depreciation, a rise of 50% in the gold value of the mark occurred between 1920 and 1925.

Stock Prices Versus Commodity Prices

In the specific area of the stock market itself, there have been many instances of stock prices moving directly opposite from the general price level—presenting a double difficulty to investors trying to suit policy to shorter-term inflation swings. In the United States during the strong inflationary period of 1917, stocks nevertheless sank by 40% during a seven-month period. Conversely, during the wild stock market boom of the latter 1920's, when share prices trebled to by far their highest all-time peak, commodity prices fell slightly. In the post-OPA decontrolling period of 1946-1948 when inflation really took hold on the economy and commodity prices rose by 40% and the cost of living by 30%; nevertheless, the stock price averages fell by 10% net. And over the long term since 1929, the 100% rise in commodity prices has been accompanied by a stock market which, even after the present bull market's major rise, has registered a net decline of 29%.

In France similarly, in the face of the era of extreme monetary depreciation, in both 1948 and 1949 share prices suffered 25% declines from their peaks.

Selectivity Difficulties

The selection of issues or even groups presents additional difficulties to the inflation-hedging investor. This has been demonstrated to a surprising degree in the great German inflation. Not only the shares of banks, public utilities, and railroads, as were to be expected, but also shipbuilding and steels, fared poorly. And not only doing well were tangible-holding companies like oil producers and textiles, but also fire insurance and chemical companies. The reasons for the divergence are unimportant here; but the unpredictability of the actual performance (in line with the wartime experience here) is highly significant.

The Worldwide Experience of the Investor

What are the investor's chances in inflation, in the light of past experience? In the first place, the blanket conclusion is valid that the bondholder has suffered drastically in all countries at all times—often even in prices in terms of the monetary unit as well as in purchasing power.

The common stock, the convenient investing medium, has usually given far more protection than the bond (or cash), but has usually lagged considerably behind the concurrent declines in the currency; or the rises in commodity prices, land and gold.

In France over the past century the holder of stocks, while faring better than bonds, lost ground to gold. Remarkably the protection afforded through stocks, was far greater before than after the radical monetary depreciation that started in 1913 since when equities in terms of purchasing power have fallen by 50% net (cf. article, *"French Investor's Squeeze by Inflation—A Warning!,"* by this writer in the "Chronicle" of June 28, 1951, p. 1.).

The record surrounding the Second World War period for leading countries is shown in the table on page 5

Today's Investment Policy?

Today in setting his hard-boiled investment policy and practical portfolio decisions, how importantly and in what manner shall the logical investor take account of the inflation factors which we have here elaborated?

In the long-term picture, is the country now on a major peak or perhaps only on a mere foot-hill of inflation?

In seeking investment hints from the past record, what periods shall we pick?

At this historically high bull market level (almost triple prewar), how do we choose between the alternatives of inflation-hedging and investment value?

How shall the specific choice of stocks be slanted?

Most fortunately, at this time the answer lies in the fact that many stocks are still available at values justified by value criteria, obviating the distasteful necessity of making a difficult Hobson's choice between inflation-protection and value. The equities of many strong companies are still selling at less than their net-quick-liquidating value (i.e., current assets less all liabilities including long-term debt and preferred stock). The dividend yield on the Standard and Poors average of 50 leading stocks stands at the liberal figure of 5.8 and the earnings yield at 10% (both considerably higher than have consistently existed and still obtain in England and France).

So—instead of having to worry how much premium to pay for the inflation-hedge, it is available free of charge. The price is right!

So our net conclusion about dealing with inflation must be that the investor should, as always, have part of his capital in common stocks carefully chosen according to value criteria. Stocks should not, and need not, be held primarily because of their inflation-hedging qualities. The long-term inflation trend constitutes one of several reasons why equities are continuingly advantageous as an integral portion of a portfolio diversified among classes of securities as well as industries and companies.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Herbert Scheftel to Arthur Gaines will be considered by the Exchange on Oct. 11.

Interest of the late Harry Eising, limited partner, in Hirsch & Co., ceased Sept. 14. As of the same date executors and trustees u/w Harry Eising were admitted as a limited partner of the firm and George J. Eising, Howard C. Hirsch and Robert L. Kohns, trustee under trust agreement dated Sept. 14, 1951, were admitted as limited partner.

Interest of the late Roland L. DeHaan in Mabon & Co. ceased Sept. 11, 1951.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Robert J. K. Conheady and George E. Parker have become affiliated with Walston, Hoffman & Goodwin, 111 Pearl Street. In the past Mr. Conheady was with Henry C. Robinson & Co., Inc. Mr. Parker was with Brainard-Judd & Co.

Stuart Hurlbutt Joins Eisele King Firm

(Special to THE FINANCIAL CHRONICLE)

NORWALK, Conn. — Stuart B. Hurlbutt has become associated with Eisele & King, Libaire, Stout & Co., 20 Wall Street. Mr. Hurlbutt was former manager of the investment department for Maples & Goldschmidt.

Two With Income Funds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—George M. Ash and Stephen N. Dickinson are now with Income Funds, 152 Temple Street.

Continued from page 12

Big Business and Government Regulation

haven't yet been put in the category of utility, or otherwise brought under the paternal guidance of a board or agency set up especially to mind your affairs, the hand of Government grows ever heavier on your shoulder.

You all know the day-to-day chore involved in keeping abreast of the laws and rules designed to guide your business operations. Your relations with your employee are under constant regulation from the moment he sets foot on your premises until he departs at night; and in another sense, from the day you hire him until the day he dies.

Use of many raw materials is hedged round with another set of regulations. If you deal in interstate commerce — as what large company doesn't?—there is still another set of rules for you. New rules come particularly easy under the guise of emergency, when patriotism is inclined to accept them, in the knowledge that some of them are necessary.

There is also the form of regulation called taxation. This is one of the most rigid regulators of all, for the government has, in effect, a first mortgage upon your whole enterprise and all of your assets. But, here there is evidence that an inexorable law is at work—some tax experts are admitting that the law of diminishing returns may be at work on some of the old taxation standbys. Earnings, from which new capital and new equipment must come, are showing in some quarters that the golden egg supply is indeed limited.

A Ponderous Cumulative Weight

Well, what's wrong with all this? After all, we live in a pretty complex economy, with every one dependent upon every one else; one man's or one corporation's greed or recklessness can upset things for many others. Don't most of these rules serve some perfectly legitimate purpose?

The trouble is not any one regulation, or any two or three. The trouble arises from the ponderous, cumulative weight of all the regulations that keep piling up.

Somewhere there must be a breaking point, when the main driving wheels of the economy will slow, perhaps ever so imperceptibly. And the sinister thing is that there won't be any loud warning buzzers. Instead there will be the same plausible reassurances that just another law or regulation or court decision will make everything all right.

In about 20 years the Federal Government's civilian employees have increased almost four-fold—from 611,000 to 2,300,000. I know there are a great many conscientious and capable public servants in Federal service, working hard at jobs that have to be done. But, it doesn't seem possible that all of these more than 2 million jobs are vitally necessary.

In this great number of Federal employees lies one important source of over-regulation. A logical and instinctive way to preserve a job or a bureau is by devising more regulations to enforce.

There are human ambitions likewise to consider, ambitions that have an inviting way to go, along a straight, clear road to an inevitable terminal, a planned economy. Even though there may be no clear cut plan to proceed on schedule in that direction, the very human impulse to hold on to what you have leads only to new byways of regulation and control, not only of business, but of the individual as well.

And that is exactly what we can see has been happening.

We have no way of sorting out accurately the motives and forces at work in this process—how much can be ascribed to the purposeful planners, how much to handy political and economic appeals, how much to sheer heedlessness or ignorance. The motives are perhaps beside the point when you consider what already has happened.

The effort to extend the scope of outright controls and freeze them into our economic system now also has military necessity as a reason. All the various proposals to hike taxes on corporations of all sizes are being put forward on the same grounds. The never-ending investigations of business enterprises proceed on the piously announced supposition that big corporations are engaged in wicked undertakings that require the strong hand of investigators to correct.

The antitrust actions which have been launched to break up big business are heralded by the government publicists as necessary to protect the interests of the little fellows in industry.

Even when considered separately, each of these activities contains its threat to the general welfare. Taken together, they constitute a formidable and increasing attack on industry, large and small, and the benefits it brings to the American economy.

An Economy of Scarcity

No mention is made, in the matter of the extension of direct controls, of the fact that a controlled economy is an economy of scarcity, and yet the advocates of more and more restrictions can hardly be unaware of the fact. They have only to look wherever governments control economies, and find the proof. If the experience of our own system over the years contains any lesson it is that high productivity is the only authentic key to a sound, prosperous economy, the only dependable remedy for inflation, the only complete answer to the demand for both guns and butter.

In the quest for higher and constantly higher taxes drained off all business it is the exceptional, the unique government spokesman who will concede that there is a point of diminishing returns in this field, and yet if we are not already at or past it, we are dangerously close to it. For a corporation's profits constitute not only its reason for being in business, but its incentive and wherewithal for accepting the risks involved in expanding facilities and pioneering in new fields, new materials, new processes. It's quite true that these profits, in terms of dollars, sometimes seem high. But the other side of that coin is that costs have jumped for industry as they have for everyone else and the profits must be high if there is to be funds for high-cost progress. Taxes pushed too far into the earnings dollar will shrivel incentive and hamstring industry's expansion.

The tenor of the propaganda of some spokesmen, either appointed or self-appointed, is that corporations, by asking tax relief, are trying to duck their responsibilities and thereby proving themselves unfit to merit the public's trust.

The well-publicized investigations of the Congressional committees, and the antitrust suits pile still more fuel on this particular fire. And in point of impact on the public mind, the control advocates can't lose here. Regardless of what the technical results may be—even if the publicized companies clear themselves completely of the accusations—they can't erase the stigma created by the mere act of raising and broadcasting the charges. A certain prejudice is bound to remain in the public mind, particularly against the better-known corporations, just as a memory is bound to remain against an individual who is indicted and tried and eventually cleared of all blame by the courts.

In the antitrust actions there is, to be sure, the threat of results far more tangible, more immediate and more disastrous to the economy. For the stated purposes of these suits are to separate the leading mass production outfits into smaller components. That couldn't happen without corresponding violence to the great assembly lines. And the economy can't do its day-to-day job without the machines, the tools, and the wealth created by these great practitioners of mass production.

These are the main elements of the efforts to extend and complete the regulation of business, and to justify them in the public mind.

They are not maneuvers moving toward any sudden, dramatic finale. Part of their menace is that they proceed unobtrusively, a notch at a time, and we don't know what we're losing because it happens so little at a time. But in spite of this, it is possible to perceive where this philosophy is heading. It isn't a unique operation; it has happened in too many places, too often in history, for its destination to be in doubt.

A Super-Regulated Economy

I'm talking, of course, about a super-regulated economy—about Statism. And I assure you I don't toss the word in as a name-calling label. The utter, miserable incompetence of Statism or collectivism in terms of what it does for its people is being demonstrated today over a broad expanse of the world. The gap between what it promises and what it provides is reason enough for a still free American people to study with utmost care this local campaign to regulate industry right down to the hilt.

How do we know the destinations of this course on which we are being taken? We can know without any reference to the intentions of those who want us to go that way. We can know it only by taking note of the only possible destinations to be reached if their course is fully pursued.

Because the very process of regulation is a depressant and deterrent of business and production, controls beget more controls. Once regulation moves beyond what is proper and necessary, restrictions beget restrictions. From an over-regulated system, it is not a long step to nationalization and government ownership. Nationalization is a cardinal principle in the political philosophy of every collectivist.

But it is a principle that runs contrary to experience, common sense and to every tenet of American democracy, which is a common sense way of life.

It violates common sense to suppose that an enterprise can do its best work while tied up in red tape.

It violates common sense to suppose that a boss, or a series of bosses, primarily beholden to a political superior can do as competent a production job over a period of time as the man whose big boss is his customer.

And it offends common sense to suppose that political manipulation of the basic factors of trade could produce the same high level of efficiency as is now produced by the exercise of the customer's free choice in an atmosphere of free, rugged competition.

Nor should it be supposed that government, faced with sagging production and reduced efficiency as the result of its own manipulations, would willingly return to a free system. That isn't the way those things work, except on those rare times when they come under the cudgel of an enlightened and aroused public.

Rather, the customary government remedy for too much regulation is still more regulation, at a progressively higher cost in quantity and quality of output in terms of the outlay of effort.

The first casualty of too much regulation, then is efficiency, but the ultimate casualties are bound to be security and freedom itself.

The threat to security is evident in any process that hampers our ability to produce. For our productive efficiency is our main line of defense in both areas where our security is being threatened—the military front and the economic front. We can't win if we don't produce the guns and tanks and planes to meet an enemy's armed force. But we can't win, either, if we don't do the overall production job with enough efficiency to keep the dollar sound and the economy expanding.

Any threat to security is, of course, a threat to freedom. But even if there were no Russia on the horizon, there would be no future for freedom in the face of this steady encroachment in the domain of business freedom. For freedom is indivisible in the face of a threat from any quarter. It just isn't possible to sell or trade off the proper freedom of enterprise and property in the expectation of safeguarding a people from tyranny in all its forms.

A Proper Balance Needed

I wish we could prescribe some simple, easy remedy like a mathematical formula that would produce the proper balance between good and necessary regulation and business freedom. There really isn't any remedy beyond the one we've been applying as a people for 175 years. There must be constant re-examination of what constitutes the real public interest, and constant pressure upon government to serve it. The public interest, as always, lies in the intelligent limitation of government; in the insistence that the preponderance of industrial ownership, or instance, remain in private hands where it always has been.

There must be a constant insistence that industry be kept scrupulously free to manage its affairs with the minimum of interference consistent with the public welfare. Under our system I would even suggest that this requires a close issue to be decided usually in favor of the private citizen, rather than the government. Each new proposal for a control or rule or regulation upon private enterprise should be tested with utmost care, especially with regard to its possible effect upon the whole productive efficiency. And in the meanwhile there should be general alertness to whatever possibilities present themselves for the throwing off of unnecessary controls already in effect.

All of this calls for an extraordinary amount of thoughtful attention on the part of the public, but the maintenance of freedom always has called for public vigilance.

The public is surely entitled to insist that this tremendous repository of American destiny called government direct itself to the course so clearly marked in the beginning. It is entitled to demand that this great, free industrial system be given a clear track so it can get on with its appointed task of serving the American people.

Charles E. Warner With Francis I. du Pont

Charles E. Warner

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Charles E. Warner has become associated with Francis I. du Pont & Co., 121 Southeast Second Avenue. Mr. Warner was formerly a partner in A. M. Kidder & Co. and prior thereto of Cohu & Torrey.

R. F. Griggs Adds

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn.—Peter J. Vileisis has been added to the staff of The R. F. Griggs Company, 35 Leavenworth Street.

Joins Oakes Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Gilbert F. Tuffli, Jr. has become connected with Oakes & Company, 605 Lincoln Road.

Continued from page 10

Faults and Frictions in Our Banking System

years ago. It has befouled the public and political relations of the System, and been used to pit the agencies of bank supervision one against another, over all these years. In all that time the voice of banking has usually been muddled or muffled. No clear and recent discussion of the desirability of these toll charges on commercial intercourse, and of where and by whom and on whom the charge should properly be levied, if justified, has emerged from the banking community.

Or take the question of selective credit controls. There has been continued organized banker opposition to the regulation of consumer instalment credit. That opposition may be justified. My own first choice in the field of credit control measures is certainly the general or quantitative control which permits the private sector of the economy to decide freely which activities should be facilitated and which restricted. But selective credit controls in a few areas, such as consumer instalment credit, also have much to recommend them, both as a supplement to quantitative credit controls, and as the specific monetary means of helping to direct resources to where we need them and away from less essential uses. The opposition to consumer credit regulation has contained little that would lead to a wise evaluation of such controls and public understanding of them. And banking comment and criticism did little to correct public misconceptions and misrepresentations, which tended to bring the administering authority, our central banking system, into disrepute. The result was a legislative miscarriage.

When the question of the administration of consumer credit control was at issue in the Congress, at the time of the extension of the Defense Production Act of 1950, an important principle of government was allowed to become submerged in the policy of general opposition to controls. The Congress continued the control, but prescribed not only the duties and powers of the administering agency, but also the exact terms of maximum down payment and minimum maturity in some instances. If there was any organized banker opposition to this violation of good government procedure, which was duplicated in the case of mortgage credit controls, I failed to hear it. I was reminded of the old vaudeville song which had a recurring refrain, based on the line, "When I was in that railroad wreck, who took the engine off my neck, nobody."

I do not deny that there was need to determine whether the power to control consumer instalment credit and real estate credit, previously granted by the Congress, had been found unwise or not generally administered in accord with Congressional intent. This was particularly so in view of the public attitude toward these measures, for without public support they could not function well. But so long as the power was continued, which I certainly favored, its detailed administration should have been left with the credit authorities. And it should have been of interest to bankers, as citizens as well as bankers, to urge that this be done.

Question of Adequate Bank Supervision

To come even closer home to the interests of this meeting, there is the question of bank supervision, including bank examinations. Here you would expect the banking community to be working steadily for the improvement of the quality of the supervision to which it must be subjected, and for the modification or elimination of overlapping jurisdictions and duplication of supervisory intervention in their affairs. It seems to have been one of those subjects for which Ed Wynn requisitioned an 11-foot pole, in order that he might touch things he wouldn't touch with a 10-foot pole. Maybe the bankers, or the organized bankers, need an 11-foot pole. And so also, perhaps, do the supervisory authorities. A year ago, at your Boston meeting, Bill Lyon made some suggestions concerning bank supervision and bank examinations, which to my untutored ear and eye seemed to contain the seed of constructive development. If that seed fell on fertile ground, I have missed even the first signs of the growth and possible future flowering of the plant. Each of the Federal agencies is able to bring forth what it deems to be good and sufficient reasons for continuing whatever it is doing in the field of bank supervision, including examinations, and signs are not lacking of tendencies to expand the scope of present examination activities. And your State group does not seem to have picked up Bill Lyon's challenge and substituted substance for shadow.

Admitting my own lack of expert and first-hand knowledge of bank supervisory arrangements in the several states and territories, I hope I may rely on the second-hand information which has come to me as a result of my interest in Mr. Lyon's proposals. I am told that there are only a few states where the tenure of office of commissioners and staff, and the amount of the annual budgets, give continuing promise of an adequate and sustained bank examination program; adequate alike for the needs of State supervision, and the special interests of the Federal Reserve System and the Federal Deposit Insurance Corporation in banking management and condition. I am told that in some States it would be physically impossible, on the grounds of staff and funds alone, to have any real examination program if it were not for the examinations of the Federal authorities. I am told that in many States increasing costs of examination, which are assessed against the banks, have tended to interfere with the maintenance or improvement of State bank examining procedures and practices. Mr. Lyon said that dual system should not mean double standard, but here we have the makings and, in some cases, the actuality of a double standard. So long as this situation exists it avails little to talk in terms of principles while doing nothing about practices. I still think that something can and should be done by the Federal agencies along the lines of Mr. Lyon's suggestion. But a lot will also have to be done by the State agencies and the banking communities which they serve as well as supervise. Unless there is aggressive action on the part of the State supervisory agencies and their banking constituents to improve the conditions under which many of the State supervisory agencies work, to make bank supervision a properly financed professional undertaking instead of a political waif, I do not see much chance of wide progress.

I do not, however, put all or even most of the burden of such reforms on you men and your organization. I think it should more largely be placed on the bankers of the country, as individuals and in their banker organizations. That such action can achieve results was shown in Texas earlier this year. And so I come back to my main theme—Who Speaks for Banking? I would say that by and large nobody speaks with authority and with clarity for banking. It is represented at State capitals and at Washington by groups intent upon legislation favorable to banks, and upon stopping legislation unfavorable to banking, a necessary kind of activity in our kind of democracy. It is represented by State and national organizations which do a lot of fine work in areas where controversy does not blaze too brightly. It is represented by many individuals who are leaders in their communities, but who too often tend to leave it to someone else when it comes to the great issues of monetary, credit and banking policy. Nowhere, as I see it, does banking find a voice, or voices, which can and will provide constructive leadership in dealing with these problems. Nowhere does banking find a voice which gives a clear expression of banking opinion, or of banking differences of opinion which will attract public interest and, perhaps, a public following.

This is a dangerous situation so far as the institution of private banking is concerned. It is not enough for banking to look after its own special interests, to see tnat it is not unfairly taxed, that it is not subjected to unfair competition by government lending agencies, to fight in legislative halls and lobbies what it deems to be unwise legislative proposals relating to the rules of the banking business. It is not enough to hold aloft the banner of States' rights, to proclaim the need for checks and balances, and to fight against undue centralization of power.

Banking Stands for Something Besides Its Own Interests

A positive affirmative approach to the great economic issues of the day is a plain duty of the banking community, as I see it—and also of the bank supervisory authorities. If such an approach were forthcoming, I would not expect the banker to become a popular hero. I would not expect banking to become a popular study among the millions. But I would expect the public to get the idea that banking stands for something besides its own special interests. I would expect banking to take its place with progressive industry and organized labor in trying to influence and mould public opinion on the critical economic issues of our times. Banking needs to speak with a clearer voice on matters which are necessarily controversial because they involve deep-seated and conflicting interests.

We who are charged with the continued development of the private banking system of the United States should help banking to find that voice. Your organization which is concerned with banking in the 48 States and the territories can play a role here which could dwarf in importance anything which you have done in the past. I hope that you will find it in your hearts and minds to enlist in this cause.

ABA President Says Sproul's Criticism of Bankers Unwarranted

James E. Shelton, head of the American Bankers Association and President of the Security-First National Bank of Los Angeles, in a press interview at Chicago on Sept. 30, denied the charge by Allan Sproul, contained in the foregoing address, that banking leaders take a negative attitude on national economic and financial developments. Mr. Shelton is reported to have intimated that Mr. Sproul was irritated with the ABA because it had actively opposed the Federal Reserve's demand of Congress for more extensive powers over the nation's banks.

James E. Shelton

Mr. Shelton praised the attitude of the American Bankers Association and his predecessor, F. Raymond Peterson, chairman of the board of First National Trust Co., of Paterson, N. J., for not taking sides last year in the controversy then raging between the Federal Reserve and the Treasury over the management of the national debt, particularly regarding pegged prices of government bonds.

Former ABA President Peterson, Mr. Shelton pointed out, refused to put this controversy on a personal basis and by virtue of the fact that he refused to permit the association to become entangled in that debate, the ABA later was able to play an essential role in bringing about the subsequent agreement between the Treasury and the Federal Reserve.

"All of us individually have a high regard for Allan Sproul," Mr. Shelton told the press conference. "But I think there's a tendency among all of us to believe that anyone who doesn't agree with us lacks statesmanship and courage. I don't personally think that the association as such should become a participant in every quarrel that has personal angles to it."

Questioned about criticism from within the ABA on policy matters, Mr. Shelton admitted that some existed but on specific issues only. In general, he said, there was no criticism, but he added, "there is always a difference of opinion over where emphasis has been placed."

Mr. Shelton praised efforts of banking associations in the various states and noted that the ABA worked closely with these groups at the local level. The national voluntary credit restraint program which the ABA has been most active in promoting is an evidence of effective leadership Mr. Shelton noted.

Becker Group Offers Ashland Oil Securities

Public offering was made on Oct. 2 of a \$7 000,000 issue of 20-year 3½% sinking fund debentures at 100% plus accrued interest, and of 50,960 shares of no par value \$5 cumulative preferred stock, of Ashland Oil & Refining Co. Offering price of the stock was \$99 a share plus accrued dividends. A. G. Becker & Co. Inc. is managing the underwriting group.

Giving effect to the new issues, capitalization of Ashland Oil will stand at \$36,471,000 funded debt, 146,202 shares of \$5 cumulative preferred stock, 257,409 shares of \$1.20 cumulative convertible preferred stock, and 2,181,804 shares of common stock \$1 par value.

Proceeds from the new financing will be used to construct additional facilities at Buffalo, N. Y., Catlettsburg, Ky. and at various water terminals, and for the acquisition of an additional towboat and barges. Large capital expenditures are planned for the coming fiscal year for drilling, pipe line additions and other facilities. The company expects to provide funds for these projects out of present cash, depreciation and depletion reserves and retained earnings.

Ashland Oil in the 10 months ended July 31, 1951, had record sales of \$168,451,501 and net earnings of \$10,267,799, reflecting the company's rapid growth since 1947 when sales and earnings for the fiscal year were \$29,067,000 and \$2,898,034, respectively.

Joins Morgan Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Rene S. Smith is now affiliated with Morgan & Co., Farmers & Merchants Bank Building. He was formerly with Pacific Company of California.

With Protected Investors

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Cecil O. Gordon has become associated with Protected Investors of America, Russ Building.

Joins Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—A. C. McKee is with Waddell & Reed, Inc., Barkley Building.

Pennsylvania Brevities

Acute Growing Pains Bring Problems to New Industrial Area

Most communities develop in an orderly manner with facilities planned unhurriedly and added step by step as needs become foreseeable. Not so in the new industrial empire centered about Morrisville, Penna., where confusion prevails and where standard operational procedure is reduced to one word—"rush."

The scramble has been precipitated by a drastic forward movement in the construction schedule of U. S. Steel Corp.'s giant Fairless Works. Originally planned for completion in 1955, it is now expected that the first sheets and strips will be rolled next month and that metal will be poured from the nine huge open hearth furnaces next summer. All facilities are expected to be integrated and in operation by the spring of 1953.

A similar "on the double" cadence has stepped up the tempo of related activities all along the line. The steel industry is basic and dozens of enterprises are closely associated with it in the capacity of suppliers or users, or both.

Currently involved are the building of two complete towns to house and provide the needs of thousands of permanent new residents. A self-contained community to be known as Fairless Village is rising at the rate of 16 houses per day. Already over 700 dwellings are under roof and more than 100 are occupied. By the end of next year the development is expected to house over 5,000 families. Planning and construction is by the Danherst Corp. Houses are two- and three-bedroom ranch types, prefabricated by the Gunnison Corp., a U. S. Steel subsidiary. They are priced at up to $10,950.

The firm of Levitt & Sons, Inc., of New York, has obtained options on acreage sufficient to erect 16,000 homes on a tract between Morrisville and Bristol and will shortly begin the development of Levittown, Penna. Houses will be in the $10,000 class.

H. Charles Ford, Director of District 7, United Steel Workers (CIO), has urged the developers of housing projects to make a minimum of 3,000 homes available to prospective workers on a rental basis.

"Many of the workers who will come into the area will be unable to buy houses," he said. "They will have insufficient savings for that purpose. The community planners should petition the authorities to create a proper planning commission that will make certain that rental housing will be available."

Adding to the present housing problem are the requirements of some 4,000 construction workers whose numbers will be increased by another 2,000 before the steel plant is completed. Most of these men are engaged in work of a temporary nature and may be expected eventually to move on to other localities. However, the springing up of related enterprises will keep many in the area for some time. Nearby housing facilities are exhausted; a number commute from Philadelphia and Trenton and still more, with their families, live in trailer camps not far from their jobs.

The prospect of insufficient schooling facilities is already posing a problem to educational leaders. Enrollments have mounted sharply in a number of school districts in the area. Dr. Charles Boehm, Bucks County school superintendent, foresees the possibility of halftime sessions, and of even triple sessions, unless special legislation is forthcoming to provide for additional school construction.

* * *

The Present Line Up

Translated into individual companies and subject to almost continuous upward revision, the "new industry" look of the Trenton - Philadelphia - Wilmington workshop area includes:

U. S. Steel Corp. and subsidiary companies, National Tube, American Steel & Wire and U. S. Steel Products; Kaiser Metal Products, Inc.; General Refractories Co.; American Anode Co.; Stokes Molded Products, Inc.; Hoeganaes Sponge Iron Co.

Expansion of existing facilities: Colorado Fuel & Iron Co.; Warner Company; Pennsylvania Railroad; Atlantic Refining Co.; Sun Oil Co.; Texas Co.; Smith, Kline & French; Budd Co.; National Dairy Products Co.; General Baking Co.

Planned: Completely integrated mill of National Steel Co.

* * *

Philadelphia Electric Co.

PHILADELPHIA—"Raising the sights" has become almost routine among eastern Pennsylvania power companies. Last August, H. B. Bryans, President of Philadelphia Electric Co., announced that company's expansion program through 1955 has been set at $320,000,000. Now, H. P. Liversidge, Board Chairman, has told stockholders it is necessary to up the figure to $365,000,000 to reach the generating capacity to be required by 1956.

The company has already installed 708,000 kw. of new generating since 1945 at a cost of $217,000,000. Capacity is expected to reach a total of 2,686,000 kw. by 1956, more than double company's facilities at the end of the war.

* * *

Pennsylvania Electric Co.

Bids for the purchase of $5,000,000 Pennsylvania Electric Co. first mortgage bonds and 30,000 shares of cumulative preferred stock, par $100, will be opened at 11. a.m., Oct. 9. Coupon and dividend rates will be named by the successful bidder.

* * *

American Bantam Car Co.

PITTSBURGH—Federal Court has set Oct. 15 to hear arguments on the proposed sale of the assets of American Bantam Car Co., Butler, Penna., to The Sixty Trust of Boston, an organization representing the salaried employees of Textron, Inc. Consideration is stated to be $1,400,000 for land and buildings and $401,000 for machinery and equipment. If sale is consummated, it is understood plant will be leased to Thompson Products, Inc., for the production of jet engine parts.

Two stockholders have filed objections stating that the proposed transaction represents an unwarranted liquidation rather than a bona fide sale. Other buyers are reported to be interested.

* * *

Thunderjets at Bristol

Kaiser Metal Products, Inc. has announced its second large jet aircraft defense contract. Complete fuselage aft sections for F-84 Thunderjets will be manufactured and assembled at the company's Bristol, Penna., plant where wing assemblies for the Canberra twin-jet light bomber are already in production.

S. D. Jackley, plant manager, says that approximately 2,000 additional workers will be employed and that expansion and rehabilitation of plant facilities is costing $1,000,000.

* * *

H. K. Porter Co. Expands

PITTSBURGH — The H. K. Porter Co. has purchased Buffalo Steel Co. of Tonawanda, N. Y., for cash. The latter company is a producer of light steel products with an annual capacity of 70,000 tons.

* * *

Enough of Snuff

PHILADELPHIA — The Walter E. Garrett snuff fortune, estimated to have grown to about $22,000,000 since the death of his widow 20 years ago, is about to reach final distribution and settlement.

Mrs. Henrietta Garrett was childless and died intestate. In the interval since her demise, thousands of persons from all over the world have sought to establish a stake in the fortune. Each claim required months, and, in instances, years of painstaking investigation.

Hearings in connection with the audit and final accounting have been concluded before Orphan Court Judge Charles Klein. The residual estate, after all fees, taxes and expenses, will be divided in equal shares among Mrs. Constance K. Mock, Wilson P. Kretschmar and J. Howard McGrath, Attorney General of the U. S. The first two persons are lineal heirs of first cousins on the maternal side. Mr. McGrath represents the vested interest of Johann Peter Christian Schaefer of Germany, under the Government claim against the property of an enemy alien.

* * *

Budd to Build Tank Hulls

PHILADELPHIA — The Budd Company is spending $6,000,000 in the construction of a new plant to be devoted principally to the machining, welding and painting of Army tank hulls and turrets. The two-story structure will be adjacent to the company's present automobile body plant on Hunting Park Ave. Completion is scheduled for March, 1952.

* * *

"Hello Central, Give Me P-B"

Last Monday the Philadelphia-Baltimore Stock Exchange opened offices in the Southern Bldg., Washington, D. C., with facilities for the direct transmission of orders to the Exchange floor in Philadelphia. Local clearing arrangements have been provided for the use of the 11 Washington member firms.

* * *

The Bureau of Business Research at Pennsylvania State College reported that its index for industrial activity jumped to 225 in August, a rise of 20 points compared with the same month a year ago. The new record level is attributed principally to gains in heavy industries and the production of durable goods. Light industries, particularly textiles, are lagging.

* * *

"Invest in America Week"

PHILADELPHIA — The "Invest in America" movement, which had its inception in Philadelphia in 1949, will present its 1951 program in a series of luncheons to be held daily next week. Dates and topics have been scheduled as follows:

Oct. 8—**"Women Investors in America."** Sponsored by the Consumer Advisory Council, Chamber of Commerce and the Investment Women's Club. Sylvia Porter, financial writer, will be the principal speaker.

Oct. 9—**"American Consumers' Day."** Sponsor, Poor Richard Club.

Oct. 10—**"Labor & Industry of America."** Sponsor, Rotary International of Philadelphia.

Oct. 11—**"Freedom to Invest."** Sponsors, Association of Stock Exchange Firms, Investment Bankers Association, National Association of Securities Dealers and the Philadelphia-Baltimore Stock Exchange.

Oct. 12—**"Youth of America."** Sponsored by Junior Chamber of Commerce and Americans for the Competitive Enterprise System, Inc.

* * *

Transit Encyclopedia

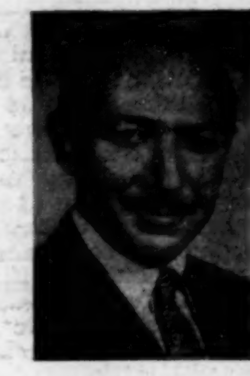
The Allegheny Conference on Community Development, the Pittsburgh Regional Planning Association and the Pennsylvania Economy League have jointly sponsored and made available a detailed report on the long-range problems of mass transportation in Pittsburgh and Allegheny County.

Foreseeing the possibility of a future major crisis in mass transportation, the Conference is of the opinion that steps should be taken toward eventual unification of all transit facilities in Allegheny County; that Pittsburgh Railways Company be considered as the nucleus of the unified system, with the gradual addition of the 15 independent bus companies entering the downtown district, and that the form and type of the unified system be decided upon after thorough discussion by the public and elected public officials.

The Conference suggests that the problem of mass transportation be lifted to a new and civic level of discussion.

Over four years of research and collation have gone into the preparation of the study which is unusually thorough in developing the case for complete unification of operation and ownership. The report is submitted by Phillip Robinson, Project Manager.

Maurice Hart V.-P. Of N. Y. Hanseatic

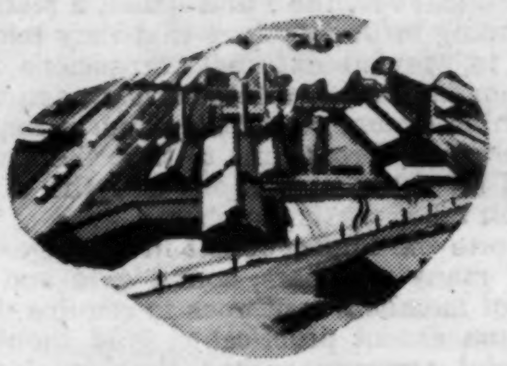


Maurice Hart

Maurice Hart, heretofore assistant vice-president, has been elected a vice-president of New York Hanseatic Corporation, 120 Broadway, New York City. In reporting Mr. Hart's advancement in the "Chronicle" of September 27, a photograph of Maurice I. Hart, of Fordham University, was inadvertedly used.

J. H. Thompson V.-P. Of B. W. Pizzini Co.

J. Harold Thompson has been elected a vice-president of B. W. Pizzini & Co., Inc., 25 Broad Street, New York City. Mr. Thompson, who has been with the firm 14 years, will be in charge of the Industrial Securities Department.

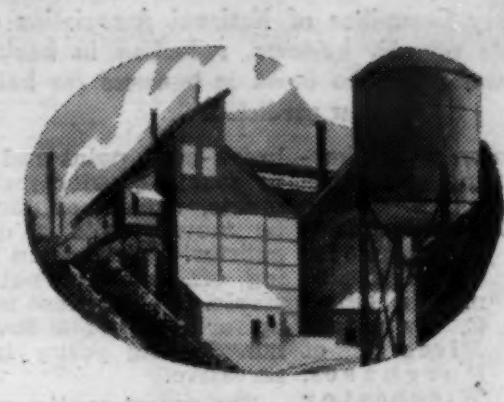


WEIRTON STEEL COMPANY

Mills at Weirton, West Virginia, and Steubenville, Ohio. World's largest independent manufacturer of tin plate. Producer of a wide range of other important steel products.

GREAT LAKES STEEL CORP.

Detroit, Michigan. The only integrated steel mill in the Detroit area. Produces a wide range of carbon steel products . . . is a major supplier of all types of steel for the automotive industry.



STRAN-STEEL DIVISION

Unit of Great Lakes Steel Corporation. Plants at Ecorse, Michigan, and Terre Haute, Indiana. Exclusive manufacturer of world-famed Quonset buildings and Stran-Steel nailable framing.

HANNA IRON ORE COMPANY

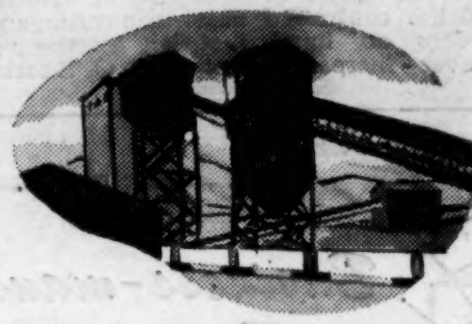
Cleveland, Ohio. Produces ore from extensive holdings in Great Lakes region. National Steel is also participating in the development of new Labrador-Quebec iron ore fields.

NATIONAL STEEL PRODUCTS CO.

Located in Houston, Texas. Recently erected warehouse covers 208,425 square feet. Provides modern facilities for distribution of National Steel products throughout Southwest.

THE HANNA FURNACE CORP.

Blast furnace division of National Steel located in Buffalo, New York.



NATIONAL MINES CORPORATION

Coal mines and properties in Pennsylvania, West Virginia and Kentucky. Supplies high grade metallurgical coal for the tremendous needs of National Steel.

This is National Steel

National Steel is a complete, self-contained steel producer. Its production starts in National Steel properties beneath the earth's surface. It ends with finished steel and specialized products that National Steel furnishes to the industries of America.

Within its structure, National Steel possesses every resource and every facility required for the transformation of ore into steel.

National Steel mines and quarries yield its raw materials. National Steel boats, barges and trucks transport its products. National Steel men and furnaces, mills and machines, melt . . . roll . . . finish . . . distribute its steel.

And National Steel continues to expand, continues to implement its steel-making power. The completion of a new blast furnace, open hearth furnaces and other major facilities will increase its annual capacity from 4,750,000 to 6,000,000 tons of ingots by 1952. In addition, National recently purchased a site for a completely new mill on the East Coast.

This is National Steel . . . completely integrated, completely independent . . . one of America's largest and fastest growing producers of steel.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

Purchasing Agents Cite Business Improvement

Business Survey Committee of National Association of Purchasing Agents reports, however, reduction in back orders though at slower pace. No boom in business for balance of year predicted.

A composite opinion of purchasing agents comprising the Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Connecticut, indicates there has been a slight improvement in general business, the first step-up since April. Back orders continue to slide, though at a slower pace than in previous months. Production increased a little, but there is still a wide gap between declining orders and production. There has been a decided upswing in defense orders and production. However, according to the survey, much of our civilian production capacity appears to be unsuited for conversion to present defense requirements, and this area of our industrial economy is beginning to suffer from lack of orders or from shortages of the controlled materials for orders on hand. Faced with an ever-increasing break-even point and severe cuts in fourth-quarter material allotments, such manufacturers may be moving into a difficult last quarter. Prices seem to be leveling off, but are not considered stable. Employment is high, being up for defense and down for civilian. Buying policy is very conservative.

Robert C. Swanton

The report continues as follows:

"Considering normal seasonal trends, the lift off the bottom is not indicative of a boom in general business the balance of this year. Business is expected to be good but much depends upon further acceleration of defense production.

Commodity Prices

"Prices of industrial materials, particularly the uncontrolled agricultural products and soft goods which have been slowly declining for the past few months, appear to have leveled off in September. Purchasing executives point out that this may not indicate stability in the general price structure, as the price control regulations continue to be confusing. Buyers are now not expecting many price rollbacks. Keen competition by manufacturers with no defense orders, for the diminishing volume of fabricated items incorporated in civilian products, is holding many prices below the ceilings which might be justified by the revised Defense Act or the OPS formula. That such prices may not go much lower is indicated by the complaints of many producers that they are uncomfortably close to rising break-even points, and will be further squeezed by the generally increasing wage pattern. No definite over-all trend in prices is expected to develop in the next few months.

Inventories

"The trend to lower purchased material inventories continues at a somewhat slower rate than in the past three months. Many are now reported down to, or below, economical operating minimums. With fourth-quarter controlled material allotments limited for civilian production, industrial inventories will continue to decline. A better balance is reported. In the effort to reduce costs, more attention is being given to material turnover rates.

Employment

"Factory employment remains at a high level, increasing in the larger defense plants, decreasing in number and working time in others. Layoffs and short time are principally due to lack of critical materials and no immediate prospect of defense work. In some areas, labor is reported reluctant to move from one locality to another where jobs are available. Many strikes — more to come. Labor is generally reported uneasy.

Buying Policy

"With CMP advance aloltments running into the third quarter of 1952, it might be expected that buyers would take a longer commitment position. The September survey reports no change from the previous policy, with a predominant 90-day coverage. Purchasing managers are keep their noncontrolled material orders in balance with scheduled commitments for CMP allotments. Cutbacks in these allotments for fourth quarter have resulted in substantial cancellation of other commitments. The revival of Korean peace talks is generating more caution.

Specific Commodity Changes

"The trend to price leveling in September is supported by the small number of price movements reported.

Quoted **higher**: Automobiles, butanol, cellophane, cement, cornstarch, batteries, fuels, machine tools, mercury, vegetable oils, phenol, polystyrene, resins, turpentine.

On the **down** side: Fatty acids, containers, juices, dried fruits, shortenings, work gloves, hides, lumber, scrap paper, rubber, soap, stearates, textiles."

Dean Witter Opens Branch in Phoenix With Lee, Ficks

PHOENIX, Ariz.—Dean Witter & Co., member of the New York Stock Exchange, announce the opening of an office at 250 North Central Avenue. Resident Manager of the branch will be Benton M. Lee. Albert Ficks, Jr., will be Manager of the Municipal Department, and Eugene F. Tompane, Sales Manager. Also associated with the office are John B. Ellis, William W. Lambuth, Emil Pindiak, James G. Henson, William A. Harvey and Frank A. Stewart. Messrs. Lee, Ficks and Tompane were formerly partners in Benton M. Lee, Ficks & Tompane, which has been dissolved.

Daniel Reeves Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Irwin Spivey has been added to the staff of Daniel Reeves & Co., 398 Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Strange Attitudes Toward Gold

"In June, 1947, the Fund issued a statement recommending to its members that they take effective action to prevent external transacions in gold at premium prices, because such transactions tend to undermine exchange stability and to impair monetary reserves. From time to time the Fund has reviewed its recommendations and the effectiveness of action taken by its members.

"Despite the improvement in the payments position of many members, sound gold and exchange policy of members continues to require that, to the maximum extent practicable, gold should be held in official reserves rather than go into private hoards.

"It is only as gold is held in official reserves that it can be used by the monetary authorities to maintain exchange rates and meet balance of payments needs.

"However, the Fund's continuous study of the situation in gold-producing and consuming countries shows that their positions vary so widely as to make it impracticable to expect all members to take uniform measures in order to achieve the objectives of the premium gold statement."—International Monetary Fund.

We rob gold of its monetary status, and in all but name of its monetary function, yet we act as if it still possessed some magic power to do the impossible!

Surplus in Treasury's Cash Budget Forecast

National Industrial Conference Board statisticians, after making adjustments and assuming increased taxes at $4.4 billion, estimate Treasury's cash surplus in 1952 may be $1.5 billion.

Members of the Research Staff of the National Industrial Conference Board, headed by Theodore R. Gates, have probed into the various estimates on how much the Federal Government would take in and how much it would spend in the fiscal year 1952. The result of their studies and their estimiates is contained in the following "Budget Scoreboard."

"After Korea, deficit prospects rose steadily, reaching a gloomy peak with last January's forecast of a $16.5 billion deficit for 1952. Since then they've come back down to a point where it's possible (if you go along with certain assumptions) to see no 1952 deficit at all. This is how it all came about.

"The scoreboard for fiscal 1952 starts out eight months ago with the January budget when Administration estimates and forecasts were:

	Billion
Expenditures	$71.6
Revenue	55.1
Deficit	16.5
New taxes necessary to balance the budget	16.5

"Fortunately for the taxpayer, this ominous outlook was short lived. In April, the Treasury conceded that rising output, incomes, and prices meant that revenue was understated by $3.4 billion (by $5.8 billion according to the staff of experts of the Joint Committee on Internal Revenue Taxation). Later, toward the end of June, Budget Bureau officials came up with a cut in outlay expectations. The January figure, they said, was $3.1 billion too high because it wouldn't require as much money as had been estimated to take care of military needs, foreign aid and other defense programs, and to mobilize private industry. With these revisions, the official position then became:

	Billion
Expenditures	$68.4
Revenue	58.5
Deficit	9.9
New taxes necessary to balance the budget	10.0

"This is still the government's view of the budget outlook. But official accounting methods choose not to consider a lot of pretty important fiscal factors. The biggest omission stems from limiting relevant factors just to the balance between net receipts and outlays in what is known as the conventional or administrative budget. By so doing, the now substantial movements of payments in and out of trust funds are excluded and a maze of intragovernmental and noncash transactions are included which involve no actual cash but merely bookkeeping entries. If we place the above revised estimates on a consolidated cash basis to better reflect the impact of federal operations on private incomes and purchasing power, the scoreboard then becomes:

	Billion
Cash payments to the public	$70.9
Cash receipts from the public	64.7
Cash deficit	6.2

"To get the full picture, some allowance should also be made for current Congressional decisions. It's still too early to make any reliable estimates of savings on the expenditure side (besides, Congress doesn't act directly on outlays but on appropriations of funds which may or may not be spent this year; by the same token, some outlays to be made this year derive from previous decisions). But some adjustment can be made for revenue, since it seems probable, at the time of writing, that new taxes will be voted. For want of a more certain figure, the Treasury's estimate of $4.4 billion of added revenue to be collected this year under the new tax bill as it emerged from the House (or the revised figure when Congress finishes with taxes) could be tentatively added to the estimates. This whittles down the deficit markedly and

makes the outlook, on the conventional budget basis, then:

	Billion
Expenditures	$68.4
Revenue	62.9
Deficit	5.5

"And, making the same revenue adjustments to the cash budget, the deficit narrows to:

	Billion
Cash payments to the public	$70.9
Cash receipts from the public	69.0
Cash deficit	1.9

"At the risk of gilding a budgetary lily, it must be pointed out that this isn't the whole story. Expert Congressional opinion holds that not $4.4 billion but $5.4 billion will flow into Treasury coffers this year under the House tax hikes. Together with its estimate of higher revenue from existing levies (see above), this would improve conventional budget prospects to:

	Billion
Expenditures	$68.4
Revenue	66.3
Deficit	2.1

"The same revenue adjustments made to the cash budget actually make the deficit disappear and a slight surplus emerge:

	Billion
Cash receipts from the public	$72.4
Cash payments to the public	70.9
Cash Surplus	1.5

"Moreover, Treasury revenue estimates as presented here assume personal income of $250 billion and corporate income of $45 billion in calendar 1951. With federal revenues heavily geared to the income tax, any rise in aggregate income above these levels would mean bigger tax receipts. (July personal income was estimated at an annual rate of $251 billion; second-quarter corporate income at $48.5 billion.)"

New Reynolds Branch

DURHAM, N. C.—Reynolds & Co., members of the New York Stock Exchange, on Oct. 2, 1951, announced the opening of a new branch office at 108 Corcoran Street, Durham, N. C., telephone: 9-1907, under the management of N. F. Morris.

Mr. Morris' association with Reynolds & Co. was previously reported in the "Chronicle" of Sept. 29.

First Boston Group Offers Mtn. Fuel Debs.

The First Boston Corp. headed an underwriting group which on Oct. 2 offered for public sale $15,000,000 Mountain Fuel Supply Co. 3½% debentures due 1971. The debentures were priced at 100.72% plus accrued interest to yield approximately 3.45% to maturity.

Of the proceeds of the sale the company will apply $12,000,000 to the prepayment of a bank loan. The remainder will be added to its general funds and will be available for additions to the company's production, transmission and distribution facilities and the development of new productive natural gas properties.

The new debentures have the benefit of a sinking fund sufficient to retire not less than $600,000 nor more than $1,200,000 principal amount in each of the years 1955 through 1970. Upon the completion of this financing the company will have outstanding the $15,000,000 of debentures and 1,989,901 shares of common stock of $10 par value.

The company's principal business is the production, purchase, transportation and sale of natural gas. Its marketing area where gas is sold to residential, commercial and industrial consumers, includes Salt Lake City, Ogden, Provo and other communities in Utah and in southwestern Wyoming.

Natural gas supplies, produced and purchased in Wyoming, Colorado and Utah, are transported by the company's transmission system which extends to the city limits of Salt Lake City and Ogden. Distribution systems are owned and operated by the company in its marketing territory.

Of gas produced and purchased for sale in 1950, 79% was produced by the company and 21% was purchased from other producers.

For the 12 months ended June 30, 1951, the company reported operating revenues of $9,406,000 and net income of $1,955,000.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Although in most instances loan volume reached new records, the condition statements of the New York City banks as of Sept. 30 published this week reveal only minor changes in other segments of the balance sheet from those at the end of June.

Of the 14 banks which have published statements so far, 10 have reported an increase in outstanding loans over the totals at the end of the previous quarter. In comparison with the outstanding volume of a year ago, the loan totals in all except one case are substantially higher.

Other items in the balance sheet show no clear-cut trends in the quarter. Deposit changes vary with each individual bank. Holdings of U. S. Government securities while generally below a year ago, largely because of the larger volume of loans, did not change materially in the last three months.

The totals of loans and deposits as of Sept. 30, 1951, June 30, 1951 and Sept. 30, 1950 for 14 of the New York City banks are shown below. Statements of Bankers Trust, Guaranty Trust and Irving Trust up until yesterday had not been released.

	Loans and Discounts			Deposits		
	Sept. 30, 1951	June 30, 1951	Sept. 30, 1950	Sept. 30, 1951	June 30, 1951	Sept. 30 1950
	— 000's omitted —					
	$	$	$	$	$	$
Bank of Manhattan	529,736	515,816	466,677	1,133,564	1,135,707	1,102,808
Bank of N. Y. & 5th Av.	130,837	134,501	135,034	363,282	379,779	378,398
Chase National	1,953,537	1,892,132	1,587,141	4,747,263	4,793,338	4,448,165
Chemical Bank	679,006	685,096	535,862	1,610,159	1,588,750	1,377,984
Corn Exchange	128,587	120,883	90,073	755,278	733,376	745,405
Empire Trust	45,890	45,217	30,311	140,322	149,570	133,962
First National	202,737	201,415	144,766	615,140	620,760	620,991
Hanover Bank	586,634	587,731	520,548	1,500,780	1,563,436	1,409,518
Manufacturers Trust	805,497	795,955	662,978	2,424,437	2,374,568	2,136,910
Morgan, J. P.	255,066	291,072	213,927	634,299	674,532	593,305
National City	1,888,518	1,823,837	1,500,435	5,070,367	5,078,996	4,823,894
New York Trust	312,556	297,890	250,814	689,093	703,579	668,186
Public National	257,055	256,975	243,485	467,689	456,837	471,514
U. S. Trust	51,849	57,788	45,266	123,848	131,023	115,353

For those institutions that report operating earnings on a quarterly basis, the results were generally satisfactory. The impact of higher taxes currently in effect and the increase in levies immediately in prospect were noticeable in the reported figures.

Aided by a large volume of loans and firmer interest rates, operating earnings as in previous quarters continued to gain. The rise in operating expenses was modest. As a result, pre-tax earnings were considerably higher than in the first nine months of 1950.

Current tax rates of 47% compare with 38% for most of the first nine months of last year. In addition, because of the likelihood that the new revenue act currently being considered will be retroactive until April 1 or even to Jan. 1, some banks have been accruing taxes at an effective rate as high as 52%. Thus, the provision for taxes has largely absorbed the gain in operating earnings with the result that final net shows little change from a year ago.

For example, Chase National Bank for the nine months ended Sept. 30, 1951 reported net earnings of $2.04 a share as compared with $2.06 a share in the similar period of last year. The impact of taxes is illustrated by the fact that reserves for Federal and State taxes for the nine months amounted to $18,126,000 in 1951 as against $10,400,000 for the corresponding period of 1950, an increase of 75%.

Combined earnings of National City Bank and City Bank Farmers Trust for the first three quarters were $18,453,860, equal to $2.56 a share on the 7,200,000 shares currently outstanding. This compares with $17,621,879 earned in the first nine months of 1950, equal to $2.84 a share on the 6,200,000 shares outstanding at that time or $2.45 on the presently outstanding shares.

Join Consolidated Invs.

SAN FRANCISCO, Calif.—William E. Butler, Jack H. Call, William M. Livley, Robert Marill, Tom Vasilatos, and Jack Werner, Jr., are now with Consolidated Investments, Inc., Russ Building.

With Harris, Upham

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Albert J. Beaver is associated with Harris, Upham & Co., 232 Montgomery Street. He was formerly with Davies & Mejia and Blyth & Co., Inc.

With F. I. du Pont

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Henry J. Nelson is affiliated with Francis I. du Pont & Co., 317 Montgomery Street. He was formerly associated with Davies & Mejia.

M. P. Giessing Opens

FARMINGTON, Mo.—Melvin P. Giessing is engaging in the securities business from offices on North Jefferson under the firm name of M. P. Giessing & Co.

Net Earnings of National Banks Increase

Preston Delano, Comptroller of the Currency, reports for six months ended June 30, 1951, an increase of $66 million over same period in 1950.


Preston Delano

Comptroller of the Currency Preston Delano announced today that the national banks in the United States and possessions reported net operating earnings of $473,000,000 for the six months ended June 30, 1951, an increase of $66,000,000 over the first half of 1950.

Gross earnings were $1,188,000,000. This was an increase of $141,000,000 over the gross earnings for the first six months of 1950. The principal item of operating earnings in the first half of 1951 was $644,000,000 from interest and discount on loans, which was an increase of $129,000,000 compared with the corresponding period in 1950. Other principal items of operating earnings were $278,000,000 from interest on United States Government obligations and $73,000,000 interest and dividends on other securities, a total of $351,000,000, which was a decrease of $8,000,000 compared to the first half of the previous year, and $64,000,000 from service charges on deposit accounts, an increase of $6,000,000. Operating expenses, excluding taxes on net income, were $715,000,000 as against $640,000,000 for the first half of 1950. The principal operating expenses were $352,000,000 for salaries and wages of officers and employees and fees paid to directors, an increase of $43,000,000 over the first half of 1950, and $104,000,000 expended for interest on time and savings deposits, an increase of $9,000,000.

Adding to the net operating earnings profits on securities sold of $14,000,000 and recoveries on loans and investments, etc. (including adjustments in valuation reserves) of $25,000,000, and deducting losses and charge-offs (including current additions to valuation reserves) of $89,000,000 and taxes on net income of $166,000,000, the net profits of the banks before dividends for the six months ended June 30, 1951, were $257,000,000, which at an annual rate amounts to 7.99% of average capital funds. Net profits for the same period of the previous year were $269,000,000, or 8.86% of average capital funds.

Cash dividends declared on common and preferred stock totaled $115,000,000 in comparison with $103,000,000 in the first half of 1950. The annual rate of cash dividends was 3.59% of average capital funds and was 44.75% of the net profits available. The remaining 55.25% of net profits, or $142,000,000, was retained by the banks in their capital accounts.

On June 30, 1951, there were 4,953 national banks in operation, which was a decrease of 24 banks since June 30, 1950.

Continued from first page

The Administration's Frustrations and Failures

duction strangled, the domestic livestock and scrap markets bottled up, lead and zinc imports disorganized—by the very stabilizers.

Official statisticians are another unhappy lot. They have concocted logical patterns by which to gauge things to come. Variations of paid-out personal incomes, in particular, are to measure what consumers will spend, and therefore what prices might do. Well, personal incomes are rising, but instead of more spending, consumer savings —savings accounts and insurance policies — soared in the second quarter and do not seem to fall off in the third. What the Little Man might do tomorrow is a discomforting puzzle to the experts.

II

Bamboozled Americans are about the only ones who think that we scored a victory in San Francisco. Remarkable, how Mr. Acheson managed to sell this country on the idea that he is a great diplomat. Shutting off the debate is the ragged art of policemen, not of statesmen.

The British are disgruntled because Japanese exports competing with theirs have not been restrained. So are the Nationalist Chinese who have not even been invited—implying eventual recognition of Red China that has connived with imperialist Japan — notwithstanding the fortitude with which they stood the Nipponese aggression for a decade. Australia is fearful of Jap "friendship" and the Philippines are upset about the lack of satisfactory reparations. Frustrated are the Japanese themselves who still have to face reparations and to swallow our occupation not only for defense, but also for "policing" their country. What kind of a sovereignty is this when foreign troops under foreign command are entitled to police functions? The Communists will make the most of it.

We shall soon awaken to the unpleasant dilemma that Japan either must go into business with Red China or will have to depend indefinitely on our support. The Russians, on the other hand, have received everything they could expect without committing themselves to anything; they enjoyed a nice opportunity for global oratory and can wait for the Japanese stew to boil.

Korea is a major source of national frustration and a splendid example of the American breast's eternal strength in generating wishful hopes. Last spring, instead of following up our victory and possibly annihilating the enemy, we grabbed foolishly at their admistice hint and keep hoping ever since, while they, the defeated, play hard-to-get. This is an exact parallel to their past policy *vis-a-vis* Chiang Kai-shek.

After four months of futile twittering, we have not yet come to the preliminaries of the first point of an agreement on an armistice. Instead, we give them every chance to re-equip themselves, if only for a defensive. Thus, our losing North Korea becomes almost an accomplished fact, and the prospects of ending the "police action" are as remote as ever. Especially so, when our major forces are being displayed in theaters where there is no war.

III

Frustrated men beat their wives and children. This time-worn law of family life applies to public life as well. Witness the family quarrels among the disgruntled Managers: Messrs. Di Salle and Eric Johnston are ready to quit; they cannot get along with Charlie Wilson who appears to be the control set-up's Rock of Gibralter—and its prospective scapegoat.

It was an intra-party family quarrel that forced a frustrated Labor to call for new elections. It could not have chosen a worse time than Oct. 25 to test the popularity of an oversold socialism: right at the onset of Britain's third and most serious post-war crisis. And this time, Britons know what is coming.

The "convertibility" crisis of 1947 was easily overcome; all that was needed was to stop the pound-conversation (into dollars) and to get fresh dollars — the Marshall Plan. The crisis of 1949 was stopped by the hothouse technique of devaluation and import restrictions while the incentive-killing "controlled inflation" continued. But now, the chickens of devaluation are coming home to roost in the shape of mounting living costs which call for higher wages, threatening the loss of export markets. Europe's monetary hothouses are running short of coal (literally), for one thing, which their fraudulent production-indices—boasting of 35% rise over prewar levels—do not indicate. Since American prices stopped booming, the short flurry of Britain's and Europe's dollar gains has given way to a sharp reversal in her balance of payments, and the pound is depreciating again.

Britain's trouble is that her physical and moral reserves have been squandered under a reckless regime. The facts are well known: over-taxation, capital malallocation, excessive Welfarism, super-bureaucratism, lingering inflation, and so forth. They have little to do with the "pressure" of rearmament. Its projected cost for the next three years averages less than $200 million per month, less than one-half of England's current dollar deficit each month.

Conservative victory at the polls should be a cinch under such circumstances, and it is virtually conceded. Yet, Labor had to risk elections. Its chances might be even worse at a later day. Anyhow, its left-wing was not willing to sacrifice an inch of the Welfare State for the benefit even of a moderate-sized Garrison State. The escape into elections saves the Party's unity and possibly its future.

Nor is its immediate prospect quite as hopeless as it may seem. Peace is the over-riding consideration on the English people's minds. Labor's trump is the argument that they have avoided war (and never mind the $300 million income from Iranian oil or the honor and future of the Empire) while Churchill would "plunge" into one or two wars. As a matter of fact, in Britain as in the rest of Western Europe, armaments are the crucial question, if only to blame their plight on, and to squeeze more dollars out of, Uncle Sam.

The Ottawa conference of the Atlantic Pact nations has shown that clearly. Instead of discussing military matters as they were supposed to do, the high governments were concentrating on how to get the "dough." Secretary Snyder poured icy water on their dollar enthusiasm, blaming Congress, with the result that the British announced their intentions to "stretch" their defense preparations. The others threaten to cut them short even more drastically. All of which spells disappointment to Eisenhower. One of the General's most frustrating problems is: to make armaments acceptable to the Germans who bluntly refuse to play soldiers, and to talk the rest of Europe into accepting German armaments which it considers a deadly hazard. Lacking

any better solution, he fell in with the French idea of a European army under French leadership, a military counterpart to the Schuman Plan, which has been shelved, of European coal-steel unity, and similar plans in the agricultural and monetary fields, all of them stemming from the same French origin.

It should not be surprising if Eisenhower would not find any other way out of his frustrations but by—plunging into the presidential campaign.

IV

Frustration, no end, is to be the American taxpayer's lot. He will have to realize what is well understood on the other side, that taking over the responsibility for rearming our "Allies" amounts to—taking them over. What, indeed, is the difference between military and economic aid when economic potential is the very foundation of military power? **Our commitments are unlimited**; the sooner we face that fact, the better.

It makes little difference that the International Fund has just refused to lend unless the presumptive debtor restores multilateral trade; and shelved the question of what to do about gold, abandoning its sacrosanct principle of a single gold price for each country; or that $1 billion has been cut from under a huge foreign aid appropriation. The pressure on Congress to restore the cut has started already, led by Eisenhower in person—the double-barreled ambassador who represents America in Europe as well as Europe in America. Indeed, our entire foreign policy is headed for a critical phase that may not be more than a few months away. The following elements enter into "The Great Showdown": (1) Red China keeps up the appearance of armistice negotiations so as not to be blamed for their breakdown. The Korean war will continue at an annual cost of $5-$6 billion; so will the concomitant domestic and international tension. The Administration soon will be confronted with popular clamor to resort to the methods proposed by MacArthur; but that might bring the whole house of alliances down on our heads.

(2) Administration and Congress will have to resolve by next spring, at the latest, the intra-Pentagon conflict between the two kinds of defense programs: between the "Balanced Forces" policy (meaning the full-scale development of all three weapons) and the policy of emphasizing the air force at the expense of the two others. A compromise between the two schools of thought is the best bet—implying the highest costs.

(3) Every step in the direction of Western Germany's remilitarization is countered by the Soviets with a fresh concession toward re-uniting the two Deutschlands. The effect on the Germans is most disturbing; the conflict will reach the critical point some time during the winter. Shall we tolerate the unification of Germany at Moscow's price: that she should not arm? Shall we force her into Defending Democracy? Or bribe her by ample raw material aid and dollar comfort?

(4) Our military and therefore financial commitments are constantly expanding. What it means to take Greece and Turkey into the bosom of the Atlantic Pact, to embrace Spain and Yugoslavia, and to cancel the embargo on Italy's armaments (at a forthcoming conference in Rome) should be obvious. Indo-China has just been accepted as equal in "rank" to Korea. The Near East, India, Burma and Indonesia are likely to provide in due course similar outlets for "defense" dollars.

(5) While we are yelling "re-armaments" from the housetops, the Russians are filling the air with "peace" propaganda. To counter this very effective approach of the Soviets, which undermines the morale of the West and especially of the East, we will have to choose between slowing down the armaments — virtually scrapping the Truman - Acheson program—or start on a new peace offensive on top of the defense offensive. "On top" means additional expenditures, and in a big way, such as raising the living standards of a few hundred million backward peoples.

(6) If we tolerate the East-West trade, the Russians gain; and we lose if we do not tolerate it by being obliged to compensate our friends for their losses.

(7) Above all, the Western Allies will be back within a few months asking for hand-outs in a big way—or else.

V

The coming winter and spring **will bring the decision**, and no more halfway solutions. The choice is not between war and peace. The question is whether our present policy of global commitments is to be carried to the bitter but logical conclusion—to national bankruptcy—or will be compressed to rational proportions.

Poor Mr. Truman surely needs advice to solve all these problems and simultaneously to handle an unruly Congress. He is not short of volunteers to advise him, ranging from Tom Dewey to Henry Wallace — from A to B (quoting Tallulah Bankhead).

Wm. J. Hill Joins Coughlin and Co.

DENVER, COLO. — William J. Hill has joined the firm of Coughlin and Company, Security Building, as controller. For 27 years Mr. Hill was associated with the firm of Bosworth, Chanute, Loughridge and Company, as controller for that firm. Mr. Hill is very well known in investment circles.

Louis A. F. Fleck Joins Livingston, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Louis A. F. Fleck has become associated with Livingston, Williams & Co., Inc., Hanna Building. He was formerly with Gordon Macklin & Co. In the past he was in the investment business in Philadelphia and New York City.

With Rockwell-Gould

ELMIRA, N. Y. — Rockwell-Gould Co., Inc., 159-167 Lake Street, announce that Louis E. Schaefer of Binghamton has been added to their sales staff.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Clement A. Bramley, Jr., has been appointed a Vice-President of the **Chase National Bank of New York** and will have charge of the administration of its New York City branches. Mr. Bramley, who joined the Chase staff in 1928 after graduating from Williams College, served as an officer of the bank's Rockefeller Center Branch from 1941 until 1947. Since then he has been engaged in administrative work at the head office as a Second Vice-President.

Five other Chase officers, all of them connected with New York City branches, also have received promotions as follows: George E. Becker to be Second Vice-President and Joseph H. Zaengle to be Manager of the Metropolitan Branch; George S. Johnson to be Second Vice-President at the Grand Central Branch; Charles B. Newton to be Second Vice-President at the Rockefeller Center Branch, and Robert L. Herd to be Manager at the Madison Avenue Branch.

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	5,174,410,240	5,227,895,685
Deposits	4,747,263,339	4,793,337,782
Cash and due from banks	1,378,828,484	1,379,189,823
U. S. Govt. security holdgs.	1,199,967,857	1,380,413,671
Loans & discts.	1,953,537,210	1,892,132,154
Undivid. profits	59,198,226	57,187,886

* * *

John S. Everts, for 22 years Vice-President in charge of **Colonial Trust Co.'s** office in New York at Madison Avenue and 28th Street, has retired from active association with the banking house effective Oct. 1, according to Arthur S. Kleeman, President of the bank. Mr. Everts, who will continue as a director of the bank and as a consultant for the Madison Avenue office, will be succeeded by Milton Henderson, Vice-President, who has been in charge of the bank's credit department. Charles D. Deyo, Vice-President at Colonial's Rockefeller Center office has been named Chairman of the credit committee and senior credit officer of the bank.

* * *

An organization certificate for the **Canadian Bank of Commerce Trust Co.**, at 20 Exchange Place, New York, was approved and filed on Sept. 12, it is announced by the New York State Banking Department.

* * *

At a meeting of the executive committee of the board of directors of the **National City Bank of New York**, held on Oct. 2, Carl W. Desch, domestic branch administration, was appointed Assistant Cashier.

THE NATIONAL CITY BANK OF N. Y.

	Sept. 30, '51	June 30, '51
	$	$
Total resources	5,556,379,159	5,579,877,777
Deposits	5,070,367,108	5,078,996,110
Cash and due from banks	1,464,757,206	1,490,164,077
U. S. Govt. security holdgs.	1,457,986,037	1,508,670,959
Loans and bills discounted	1,888,517,600	1,823,836,643
Undiv'd profits	62,254,837	60,460,284

* * *

Charles J. Stewart, President of the **New York Trust Company** at 100 Broadway, **New York** announced on Oct. 2 the following promotions and appointments in the Banking Division: Holt F. Callaway, William W. Crehore, Jr., William R. Cross, Jr., and Alfred S. Olmstead, Jr., Assistant Vice-Presidents, were promoted to Vice-Presidents; Robert F. Loree, Jr., and Robert L. Ireland, III, Assistant Treasurers, were promoted to Assistant Vice-Presidents; Francis X. Lavery was appointed an Assistant Treasurer.

NEW YORK TRUST CO., NEW YORK NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	770,731,681	786,620,178
Deposits	689,093,256	703,579,141
Cash and due from banks	195,951,123	205,366,783
U. S. Govt. security holdings	237,263,858	257,383,732
Loans & discounts	312,557,550	297,890,238
Undivided profits	15,229,484	14,539,963

* * *

Irving Trust Company of New York has announced the appointment of Edward C. Weil as an Assistant Vice-President of the company, in charge of its Domestic Credit Department. A Certified Public Accountant and a member of the American Institute of Accountants, Mr. Weil was formerly associated with Peat Marwick Mitchell & Company as supervising accountant and has also served as financial officer of industrial firms.

IRVING TRUST COMPANY, NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	1,315,130,666	1,291,103,703
Deposits	1,172,213,670	1,14[illegible]
Cash and due from banks	365,300,641	363,174,034
U. S. Govt. security holdgs.	293,386,537	300,187,218
Loans & discts.	579,992,929	559,811,657
Undiv'd profits	14,666,758	13,955,924

* * *

Corn Exchange Bank Trust Company of New York announces the promotion of George S. Soutter and Joseph T. Hewitt to Assistant Vice-Presidents.

CORN EXCHANGE BANK TRUST CO. NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	806,822,777	784,611,307
Deposits	755,277,731	733,375,959
Cash and due from banks	251,807,440	242,141,574
U. S. Govt. security holdings	384,625,556	385,056,295
Loans and bills discounted	128,586,580	120,883,004
Undivided profits	8,742,195	8,469,631

* * *

GUARANTY TRUST COMPANY OF NEW YORK

	Sept. 30,'51	June 30,'51
	$	$
Total resources	2,936,145,149	3,095,303,083
Deposits	2,514,105,471	2,635,312,440
Cash and due from banks	623,747,813	657,873,094
U. S. Govt. security holdings	896,750,292	1,002,542,315
Loans & discts.	1,244,126,715	1,262,061,786
Undivid. profits	78,771,548	77,110,235

* * *

MANUFACTURERS TRUST COMPANY NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	2,629,940,898	2,580,915,524
Deposits	2,424,436,574	2,374,568,437
Cash and due from banks	749,756,957	736,081,048
U. S. Govt. security holdgs.	870,872,901	874,339,581
Loans & discts.	805,497,277	795,955,886
Undivid. profits	37,533,935	35,814,263

* * *

BANK OF THE MANHATTAN COMPANY, NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	1,242,446,450	1,243,432,590
Deposits	1,133,564,697	1,135,707,262
Cash and due from banks	322,948,459	344,817,422
U. S. Govt. security holdgs.	293,850,155	294,079,433
Loans & discts.	529,736,574	515,815,655
Unidivid. profits	16,958,737	16,541,155

* * *

UNITED STATES TRUST COMPANY OF NEW YORK

	Sept. 30,'51	June 30,'51
	$	$
Total resources	157,910,458	164,767,714
Deposits	123,847,871	131,023,195
Cash and due from banks	24,614,382	26,790,108
U. S. Govt. security holdings	62,621,097	62,648,686
Loans & discounts	51,849,463	57,787,554
Undivided profits	2,530,159	2,442,343

GRACE NATIONAL BANK OF NEW YORK

	Sept. 30,'51	June 30,'51
	$	$
Total resources	129,440,552	125,885,052
Deposits	113,052,404	109,475,171
Cash and due from banks	38,914,733	37,863,735
U. S. Govt. security holdings	48,408,456	44,616,569
Loans & discounts	30,265,174	31,626,926
Undivided profits	1,149,225	4,146,505

* * *

CITY BANK FARMERS TRUST CO., N. Y.

	Sept. 30, '51	June 30, '51
	$	$
Total resources	139,587,026	129,889,261
Deposits	104,669,951	95,373,660
Cash and due from banks	31,778,800	19,738,079
U. S. Govt. security holdings	80,624,263	84,846,609
Loans and bills discounts	1,187,318	1,306,712
Undivided profits	10,810,618	10,791,521

* * *

THE HANOVER BANK, NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	1,669,330,745	1,729,613,879
Deposits	1,500,780,121	1,563,435,883
Cash and due from banks	480,742,022	486,655,713
U. S. Govt. security holdgs.	501,393,608	560,274,490
Loans and bills discounted	586,633,863	587,731,412
Surplus & undivided profits	113,602,451	113,121,597

* * *

J. P. MORGAN & CO. INCORPORATED, NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	712,562,570	770,261,453
Deposits	634,299,433	674,532,112
Cash and due from banks	186,856,766	186,331,158
U. S. Govt. security holdings	176,027,845	182,077,383
Loans and bills discounted	255,065,923	291,072,483
Undivided profits	13,547,600	13,017,273

* * *

THE PUBLIC NATIONAL BANK AND TRUST CO. OF NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	520,804,955	510,846,017
Deposits	467,688,996	456,836,930
Cash and due from banks	133,232,348	128,310,069
U. S. Govt. security holdings	84,633,319	77,217,759
Loans & discounts	257,054,701	256,975,568
Undivided profits	9,751,102	9,371,260

* * *

THE MARINE MIDLAND TRUST CO., NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	407,005,144	387,955,591
Deposits	377,218,901	358,599,886
Cash and due from banks	116,514,959	116,119,195
U. S. Govt. security holdings	120,880,664	109,992,234
Loans & discounts	159,472,413	152,424,772
Undivided profits	4,248,663	4,009,980

* * *

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	Sept. 30, '51	June 30, '51
	$	$
Total resources	236,715,615	245,569,935
Deposits	207,575,298	207,870,067
Cash and due from banks	58,636,879	65,355,224
U. S. Govt. security holdings	59,402,723	49,947,070
Loans & discounts	46,345,494	57,472,534
Capital and surplus	14,145,284	14,125,284

* * *

J. HENRY SCHRODER BANKING CORP., NEW YORK

	Sept. 30, '51	June 30, '51
Total resources	$93,865,191	$92,366,014
Deposits	65,254,023	63,135,851
Cash and due from banks	10,479,326	8,464,466
U. S. Govt. security holdings	42,453,963	42,465,880
Loans and bills discounted	16,941,171	15,711,232
Surplus and undivided profits	4,016,153	4,010,683

* * *

SCHRODER TRUST CO., NEW YORK

	Sept. 30, '51	June 30, '51
Total resources	$41,729,628	$40,801,043
Deposits	35,811,338	35,137,323
Cash and due from banks	11,801,100	10,710,923
U. S. Govt. security holdings	20,617,464	20,926,574
Loans and bills discounted	8,172,281	8,020,588
Surplus and undivided profits	3,016,637	3,011,796

* * *

CLINTON TRUST COMPANY, NEW YORK

	Sept. 28, '51	June 30, '51
Total resources	$30,376,265	$29,226,122
Deposits	28,094,479	26,901,878
Cash and due from banks	7,817,822	7,576,542
U. S. Govt. security holdings	11,964,481	10,582,577
Loans and bills discounted	8,176,444	8,636,068
Surplus and undivided profits	969,408	954,290

* * *

The Union Bank of Michigan, at Grand Rapids, Mich., a State Bank member of the Federal Reserve System, and the **Rockford State Bank, of Rockford, Mich.**, an insured non-member, consolidated on Sept. 1 under the charter and title of Union Bank of Michigan. In connection with the consolidation, a branch was established in the former location of Rockford State Bank.

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Mrs. Nancye B. Staub, Assistant Secretary and Assistant Trust Officer of **The Morristown Trust Co., of Morristown, N. J.**, was elected President of the **Association of Bank Women** on Sept. 27 at its 29th Annual Convention meeting in Chicago, at the Sheraton Hotel. She is the first New Jersey member to hold this office. Mrs. Staub has been with the Morristown Trust Co. for the past six years. Previously she had devoted 20 years to commercial and trust banking, ten of which she held an official position. Mrs. Staub was elected to the Presidency of the Association of Bank Women from the office of Regional Vice-President of the Middle Atlantic Division, which is comprised of the States of New York, Pennsylvania, New Jersey, Maryland, Delaware, District of Columbia, Virginia and West Virginia. She is a former editor of 'The Woman Banker, the Association's official magazine, and has held several national chairmanship, including that of General Convention Chairman.

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The new $300,000 capital of the **Peoples National Bank & Trust Co. of Irvington, N. J.** (increased from $250,000), became effective on Sept. 6. The plans of the bank to enlarge both the capital and surplus from $250,000 to $300,000 each through the sale of 500 additional shares (par $100) at $200 per share, was noted in our issue of Aug. 23, page 704.

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The promotions of Lloyd R. Bechtel from Assistant Vice-President to Vice-President and Vaughn R. Jackson from Assistant Treasurer to Assistant Vice-President were announced on Sept. 24 by the board of directors of **The Pennsylvania Co. for Banking & Trusts of Philadelphia.**

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The Bank of Virginia of Richmond, Va., has announced the election of two new members to the bank's advisory board in Roanoke, Va. They are Clarence G. Burrows, Group Manager in charge of two Virginia weaving plants owned by Burlington Mills, Inc.; and Norman R. McVeigh, President and Treasurer of Mick-or-Mack Stores, Inc. The latter organization operates seven food stores in the Roanoke area and is associated with 52 franchise stores.

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Guy W. LaLone, Senior Vice-President of **First National Bank of Minneapolis**, was elected a director of the bank at the regular monthly meeting of the directors on Sept. 27. Mr. LaLone will fill one of two vacancies on the board. One of these results from the death of Arthur H. Quay, First National President, who suffered a fatal heart attack on Sept. 26. The executive committee of the First National has announced that Mr. Quay's duties at the bank will temporarily be carried on by LaLone. Mr. LaLone has been associated with the First National and affiliated banks since 1910. He was elected Assistant Vice-President of First National Bank in 1928, Vice-President in 1933 and has served as Senior Vice-President since 1949. In addition, he is President of First Minnehaha National Bank, First Produce State Bank, First Minneapolis Co., Wells-Dickey Inc., etc.

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Effective Sept. 7 the capital of the **Third National Bank of Sedalia, Mo.**, was increased from $150,000 to $200,000 by a stock dividend of $50,000.

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At a meeting of the board of directors of **Mercantile Trust Co. of St. Louis** on Sept. 27, Edwin M. Clark was elected a director. Mr. Clark fills the vacancy caused by the resignation of Howard L. Young, President of American Zink, Lead & Smelting Co., who has accepted an appointment in Washington as Deputy to Jesse Larson, Administrator, Defense Materials Procurement Agency. Mr. Clark is President of Southwestern Bell Telephone Co. in St. Louis.

* * *

Miss Clara Mae Anton of the Metropolitan Branch of the **Seattle First National Bank of Seattle, Wash.**, was presented the Jean Arnot Reid Award given by the Association of Bank Women at a luncheon held on Sept. 28, at the Sheraton Hotel in Chicago during the Annual Convention of the **Association of Bank Women** in that city. Miss Cora I. Blanchard, Assistant Treasurer of the **Suffolk Savings Bank for Seamen and Others, of Boston, Mass.**, Chairman of the Founder's Tribute Committee for the Association, announced the award. The award, established by the Association in honor of a former President and founder, consists of an embossed scroll and $100 in cash, and is presented annually to one of ten women graduates of the American Institute of Banking with the highest scholastic average. Miss Marion E. Mattson, Assistant Cashier of the Northwestern National Bank, Minneapolis, Minn., and President of the Association of Bank Women, presented the award. Mr. A. Gordon Bradt, Second Vice-President of the Continental Illinois National Bank & Trust Co. of Chicago, was the guest speaker at the luncheon. His topic was, "Education's Place in Banking."

* * *

On Sept. 25 **The Bank of Nova Scotia** officially opened the new home of its general office and main Toronto branch in the Bank of Nova Scotia Building, King and Bay Streets, Toronto. The building, is is stated, is the third highest building in the British Empire and the most modern structure of its kind in Canada. Its 25 floors enclose 320,000 square feet of floor space, providing everything that is new in modern banking and commercial office accommodation. Founded 119 years ago, in August 1832, the bank began banking operations in Halifax . In its Aug.-Sept. 1951 "Monthly Review" the bank says:

"Gradually the bank has become an integral part of a nationwide Canadian economic system. It has extended its operations over and beyond the Dominion, and its managerial offices have been in central Canada since the beginning of this century. Still, however, it retains its special interest in the provinces by the sea and in their Caribbean and other overseas trade. Still, in a very real sense, Halifax is its 'home town,' just as the home towns of many of its officers, though they may be stationed as far away as Vancouver, San Juan, London or New York, are the cities, towns and country areas of the Maritimes."

New Fullback on Robt. Mitton's Team

A son, Richard Charles, was born to Mr. and Mrs. Robert L. Mitton (Robert L. Mitton, Investments), Denver, on Aug. 27. The Mittons have another son, Robert Lee, Jr., who will be six years old on Oct. 27 and is now in the first grade at University Park School.

Sterling Devaluation Not Likely

By DR. PAUL EINZIG

Dr. Einzig, commenting on sterling devaluation rumors, contends, under present situation, devaluation would serve no useful purpose to Britain and would be more inflationary than deflationary. Points out if Conservative Party comes to power there is very little likelihood of change in Britain's foreign exchange policy.

LONDON, Eng.—During recent weeks there has been a revival of rumors about an impending devaluation of sterling. The rate of sterling on the free markets depreciated in consequence. It is characteristic of the suddenness of the changes in sentiments in this sphere that until quite recently the possibility of a decision to revalue sterling was seriously canvassed in Britain and abroad, and almost without a decent interval the rumormongers switched over to canvassing a change in the opposite direction.

Dr. Paul Einzig

The reasons why anticipations of a revaluation gave way to anticipations of a devaluation are manifold. Most important among them is the deterioration of Britain's balance of payments during the second and third quarters of 1951. This deterioration came as an unexpected blow, because the British Government had been inclined to over-emphasize the favorable change in the balance of payments in 1950, without giving adequate warning that the balancing of Britain's international trade could not be expected to be permanent in the circumstances. It is true, Mr. Gaitskell and other official spokesmen paid lip-service to the possibility of unfavorable changes in various items of the balance of payments. Nevertheless, their main emphasis was on the Government's great achievement in establishing equilibrium between imports and exports. It is no wonder that the reappearance of a large trade deficit came as a shock to world opinion.

In reality the change for the worse has not been as pronounced as it appears on the surface. The improvement in 1950 was to some extent artificially brought about for propaganda, purposes, by means of the curtailment of imports at the expense of the country's stocks of essential raw materials. The deterioration in 1951 resulted to some extent from the correction of the unsatisfactory situation thus created. The stocks of some raw materials have been replenished at the expense of the balance of payments figures. Needless to say, even allowing for this factor, the actual deterioration of the balance of payments remains very considerable.

Apart from the change of British trade figures for the worse, sterling was bound to be affected unfavorably also by the unfavorable developments of the foreign trade of the Sterling Area as a whole. The sharp fall in the prices of raw materials which constitute the staple exports of Commonwealth countries is expected to have resulted in a decline in the British gold reserve during the third quarter of 1951. Even though the figures are published only once in a quarter, it is generally expected that the figures to be published at the beginning of October would be unsatisfactory.

The assumed weakening of the defenses of sterling encouraged the views that, as in 1949, Britain would seek the remedy in a devaluation. Then as now the trade balance was strongly adverse and the gold reserve was declining. Then as now holders of sterling sought to get out of their holdings. There the similarity between 1949 and 1951 ceases, however. In 1949 the British gold reserve was much lower than it is now. Then the adverse trend was largely due to the trade recession in the United States and the decline in the American price level. There is no sign of a repetition of history in that respect.

While in 1949 the postwar sellers' market was giving way to a buyers' market, today the prospects are in favor of a continued and increasing sellers' market owing to shortages resulting from rearmament. In such circumstances a devaluation of sterling would be no remedy against an adverse balance of payments. It would not substantially increase the volume of British or Sterling Area exports, for the simple reason that the surpluses available for export are limited. A devaluation of sterling and of the other Sterling Area currencies would only mean that the terms of trade would change against Britain and the Sterling Area. The proceeds of their exports, whether in terms of gold and dollars, or in terms of imported goods, would become reduced, and since this reduction could not be offset by a corresponding increase in the volume of exports, the balance of payments would deteriorate further.

Moreover, in 1949 there appeared to be a possibility of worldwide deflation arising from the trade recession in the United States. Today such a possibility is not envisaged. Nothing short of an international agreement for the checking of the rearmament race could bring about a reversal of the prevailing inflationary trend. In the circumstances any country which would devalue would not counteract deflation but would stimulate inflation, which is the last thing any British Government, present or future, would want to do deliberately. As it is, the increase in the cost of living constitutes the main economic problem. Any government would hesitate to accentuate that increase even if in doing so it would appear possible to bring about an improvement of the balance of payments—which, as we saw above, does not happen to be the case in existing circumstances.

Admittedly, some leading Conservative politicians are flirting with the idea of unpegging sterling if the Conservative Party should win the impending General Election. A few months ago such an action would have resulted in a sharp rise in sterling. Today it would result in a sharp fall. But there is no reason to believe that, should the Conservative Party assume office, it would resort to such irresponsible policy. A Conservative victory would be mainly the result of the discontent caused by the rising cost of living, and it would be highly absurd if the victorious Party were to take deliberate action accentuating that rise. Moreover it seems reasonable to assume that a Conservative Government would be very anxious to remain on friendly terms with the United States Government. It would be aware that any deliberate violation of the Agreements under which Britain has undertaken to maintain the stability of sterling would be regarded as an unfriendly act in the United States. For this reason alone a Conservative Government would undoubtedly reconsider its attitude towards sterling depreciation once having assumed office.

With Highland Securities

(Special to THE FINANCIAL CHRONICLE)

WALNUT CREEK, Calif.—Andrew P. Hill has joined the staff of Highland Securities Co., 1521 Locust Street. He was formerly with Waddell & Reed, Inc.

Two With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Noel Pfeifer and Steve M. White have become associated with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

Exchange Ass'n Accounting Dinner

The Accounting Division of the Association of Stock Exchange Firms will hold its annual dinner and election of officers at the Henry Hudson Hotel October 15, it was announced by Nathaniel B. Herman, president of the Division, and controller of Paine, Webber, Jackson & Curtis.

The new slate of officers for the Accounting Division of the ASEF as well as the program for the dinner will be announced later.

Canadian Securities

By WILLIAM J. McKAY

With prospects ever brighter for a clear cut Conservative victory at the United Kingdom polls on Oct. 25, a new era of British Commonwealth economic unity can be confidently anticipated. During the period of the Socialist regime the ties of Empire have been deliberately weakened. Faith in the high destinies of the British Commonwealth of Nations has been regarded as political heresy only associated with die-hard Tory policies. As a result of the hasty abandonment of British control in many key areas of the world, not only has Britain suffered grievous economic losses, but all the free nations of the world are now desperately struggling to prevent further deterioration of Western prestige and economic standing.

In the probable event of the return to the helm of that indefatigable champion of Empire, Winston Churchill, the entire recent course of Commonwealth and Colonial policies will be decisively reversed. No one appreciates better than the Conservative leader the fact that the rehabilitation of the British economy and a return to former eminence is no longer possible by dependence on the resources of the British Isles alone. It is only by the fuller exploitation, in cooperation with the Dominions, of the unrivalled economic assets of the British overseas territories that Britain can hope to regain her previous position in world affairs. At the present time there is little doubt that Canada would be considered as the cornerstone of a new British imperial structure. It will be recalled that during the desperate days following Dunkirk it was Canada that Churchill had in mind as the logical haven for retreat in the event of the loss of the British Isles. Since the war, moreover, the outstanding situation of the Senior Dominion has become even more apparent. Possibly the leading current topic of discussion in British financial and trade circles is the spectacular Canadian economic expansion in recent years.

As a result of the restrictions imposed by the Labor Government, British industry, banking, and finance have been unable to participate in the boom of a century that has recently taken place in an area where normally British initiative would have privileged access. From the Canadian angle also closer collaboration with the United Kingdom and the rest of the British Commonwealth is eminently desirable. In the past few years the course of Canadian overseas trade has undergone a dramatic change. There is now the feeling in Canada that there are too many eggs in one basket and the preponderant proportion of trade with the United States places the Dominion unduly at the mercy of economic events south of the border. For this reason any practical scheme for the promotion of a closer British Commonwealth/Canadian economic relationship would be well received in Dominion official quarters.

It can safely be predicted that any program inspired by a British Government headed by Winston Churchill will not be lacking in ambition or bold imagination. The immense Canadian scope for economic expansion surpassing even the dynamic growth of the past decade, will provide also a convenient testing-ground for the exercise of Churchillian opportunism. Furthermore the main deficiencies in the Canadian economic scheme can be filled from British resources. Conversely, many pressing British problems could be conveniently solved as a result of closer integration of the two economies. For example Canada is woefully lacking in population and adequate skilled labor, whereas in relation to their resources the British Isles are clearly overpopulated. British industry is increasingly dependent on foreign sources of supply for essential raw materials and the capacity to meet the bill for such imports is reduced by the ever mounting cost of imported food items.

At the present time when vast projects such as the development of Alberta oil, Labrador iron, British Columbian aluminum, and the construction of the St. Lawrence Seaway are only at their initial stages, the value of British collaboration can not be over-estimated. British industrial genius which is now stultified by the confining limits imposed by domestic deficiencies and governmental restrictions would have almost boundless scope for fruitful enterprise in the New World atmosphere of the Dominion. Likewise British workmen, whose real standard of living, despite extreme State paternalism under the Labor Government, has steadily declined, would welcome the opportunity to live according to North American standards. Therefore a Conservative victory on Oct. 25 could mark the beginning of a new era of economic prosperity for both countries, and the revival of Britain as a great power would be possibly a determining factor in the present effort to preserve world peace.

During the week still another new Canadian loan in this country, the $15 million 3¾% Nova Scotia issue of 1971, which was priced to yield about 4%, provided the main interest in the external section of the bond market. The internals were fairly active with evidence of liquidating operations to make way for recent new issues. There was a firm undertone to the Canadian dollar but it would appear that the authorities are content to maintain stability in the neighborhood of the existing level of 5% discount. After earlier weakness stocks rallied strongly. Following the Monetary Fund's decision, gold issues were in good demand, and the industrials, base-metals and Western oils were also well supported.

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"Alice in Wonderland" Economics

1856. Again we have a combination of science finding out more about the productive power of nature and businessmen utilizing this discovery to improve the living conditions of human beings.

Greater Discoveries to Come

Looking to the future we must have confidence that great as the discoveries of the past have been they will very probably be greater in the future. We must have this confidence not in order to feel good, but simply to get in line with the facts of current events. The enormous scientific effort being made throughout the world is much more likely to release more of the power of nature, that hidden power which the ancient peoples used to be afraid to discover, than we can yet imagine.

For instance, Professor Compton of Hartford predicts than in 25 years solar energy will be one of the main sources of practical industrial power. If we don't relate this prediction to historic accomplishment we are not going to believe that it is going to happen. Or at least we are going to try to be practical and cautious and wait until it does happen before we believe it. Most of us are going to wait too long to make a great deal of money out of it. We are going to be like the people who failed to make much money out of the growing steel industry or the growing petroleum industry. Now that we look back we can see how fast things changed. But unless we have confidence in the underlying forces which cause this change, we are not going to make much money out of it.

Of course, as gentle participants of wide-scale economic improvement, we won't be too bad off but still it would be fun to be among those who appreciated what was going on.

We can see in historic retrospect that Carnegie, and also Rockefeller, understood what was going on while it was happening. For instance, the first important oil well in the United States was brought in in 1859. In that year 2,000 barrels of petroleum were produced in this country. In 1861, two years later, 2 million barrels were produced. In 1870 Rockefeller formed the Standard Oil Company. So in 12 brief years the oil industry came out of the womb of nature and became a big rich operation. In the next 12 years atomic power may well become a sizable operation. Some of the companies specializing in atomic power will make fortunes for those holding a sizable portion of their shares. And the advance toward solar power which Compton says will be big business in 25 years should begin in the next 10-15 years.

Atomic power is based purely and simply on the fact that a new major source of fuel has been found. This fuel is uranium. The discovery in 1945 that uranium had a big utility is basically no different than the discovery in 1860 that petroleum had a big utility or the discovery in 1775 that coal had a big utility. All these elements have been known for a long while but they became valuable at certain times when their usefulness became known. The way to make money out of atomic energy is to understand that revelation of usefulness to a hitherto common but useful material is the natural results of science. As science marches on many other forces and materials which we know about but don't know how to use will become useful and thus wealth will grow.

Hope of Final Solution to Economic Problems

In my opinion, the moment we live in is by far the greatest of any moment yet lived because it is possible to hope that a final solution to economic problems will be achieved. Unless the richness of nature proves limited when its laws have been fully discovered there is no reason to think a complete solution of a practical problem is not possible. To people who think of fairy stories as only entertainment such a thought itself is a fairy story and perhaps not even a very bright one. But to people who think of fairy stories in terms of dream significance, to those who see in the dreams of fairy tales an intuitive understanding of the tremendous forces and richness of nature, a complete solution of economic problems is not at all unthikable. It is perfectly clear now that Aladdin's lamp and the Magic Carpet were dream symbolisms of the practical magic of electronics. The Arabs who spun these tall tales had an insight into a type of force which scientists and businessmen later made a practical part of economy. The relationship of these dreams to practicality can be thought of as a pilot plant of the relationship of all dreams to practicality. In other words, the dreams of endless wealth and even of endless life may not be as impractical as people have thought. At any rate it is going to be fun to find out just how many dreams can come true.

We must always keep in mind that if fortunes are to be made they should be made quickly. The idea of slow but sure development sounds good but it is not particularly in tune with life. Andrew Carnegie made his huge fortune in 35 years and lived a great many years thereafter to enjoy it. If it were not possible, even natural, to make money quickly, if you are going to make it at all, he never could have made that fortune and no one else could have made a fortune in a lifetime. He was a rich man within 5-10 years after he latched on to the new development of the steel industry. Rockefeller made his fortune very rapidly; so did Henry Ford. If we look at the drug industry we can see that important owners of stocks in Pfizer, Searle, Merck, etc., have made huge fortunes in the last 15 years.

The whole point of what we are talking about and what the world is working toward is the possibility of instantaneous or at least very rapid creation. After all, everyone of us has probably had experience in the instantaneous creation in the simple and familiar pursuit of love. One day the girl is a lady and the next day she is a mother. One of the numerous faults of economics is to ignore those facts of life which are common. I defy you to find sex mentioned in any detail in any book of economics. Yet it is perfectly clear that sex is the most important of all the facts which affect economic function. As economists we must not, of course, look upon sex in any romantic light but the light it sheds on the deep primeval functioning of life. And this is that creative forces do not necessarily take a long while and do not necessarily consume and waste large amounts of energy. Therefore, the possibility of very rapid as well as very prolific creation of wealth is not purely a possibility of dreams but a possibility of actual life.

Chemical Industry Favored

The industries which will bring the greatest wealth to investors are those which can with speed proliferate new forms of wealth. Obviously, the chemical industry is in a favored position. Some people ask—are chemical stocks too high? I think we can compare the chemical industry now to the steel industry in 1880. At that time the steel industry was a very large though very new industry. Forty years were to pass before it had become somewhat overbuilt and stabilized. I don't mean to imply that the steel industry is now overbuilt but I doubt if the steel industry has the possibility of creativeness that the chemical industry has.

The pharmaceutical industry also has greatly widened its power of wealth creation. It would be difficult to exaggerate the new wealth created by antibiotics. We would have to estimate all the man-hours saved by the new drugs and give them a value in terms of earning power. It would be quite a figure. The new field of nucleonics may well become an important business. Companies which specialize in this field are still small and from the financial point of view very tender. From a statistical point of view their stocks are high. Yet if energy from uranium and other fissionable materials is going to become important industrially we should place ourselves mentally back in 1860 and think what has happened to the oil industry and its many ramifications since then. It seems to me we ought to put some of our money into nucleonics at this time despite the obvious risks of pioneering.

Blyth & Co., Group Offers Lion Oil Stock

Offering of 350,000 additional shares of common stock of Lion Oil Co. was made on Oct. 2 at $42.25 a share by an investment banking group headed by Blyth & Co., Inc. Following sale of the shares, Lion Oil Co., which is engaged in the oil, gas and chemical business, will have outstanding 2,690,846 common shares. Dividends on the common stock are currently at the quarterly rate of 50 cents a share.

The offering was quickly oversubscribed and the books closed.

Proceeds will be added to the company's working capital to replace part of $20,600,000 expended during 1950 and during the first six months of 1951 for capital improvements and to provide funds for future capital expenditures. Drilling cost under the company's accelerated drilling program will represent the largest single class of capital expenditures during 1951. In the first half of the current year, the company completed 61 oil wells as compared with 92 for the entire year 1950.

On June 30, last, the company had 1,114 gross producing oil wells and 53 gross producing gas wells on 30,543 acres in Arkansas, Kansas, Louisiana, Mississippi and Texas. Undeveloped acreage on the same date amounted to 1,350,-696 acres. Net proved crude oil, condensate and natural gas liquid reserves on Jan. 1, 1951, were estimated by De Golyer and McNaughton at 88.9 million barrels.

Total revenues for the six months ended June 30, 1951, amounted to $42,806,185 of which nearly 50% was derived from the sale of refined oil and 25% each from sales of crude oil and chemical products. In the latter field, the company is one of the largest producers of synthetic nitrogen in the United States.

With Ginther Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Andrew R. Field has joined the staff of Ginther & Company, Union Commerce Building. He was formerly with Otis & Co.

Continued from first page

As We See It

two decades or so ago undertook to reform the world and have continued ostensibly upon that mission even unto this day.

Little Sense of Honor

Lack of any fine sense of honor among the politicians, or many of them, and among all too many office holders, of yesterday and today, is painfully evident from "revelations" emerging from "investigations" and "hearings" conducted for years past. The strange virus of disloyalty which seemed to cause most surprising behavior in circles not generally suspected is still something of a mystery, we suspect, even to the professional psychiatrist. So often it appeared to be quite alien to what is ordinarily termed corruption, so often it seemed to be more of a product of a sort of twisted mentality and emotional thinking, and so seldom has there been evidence that those guilty of it benefited in any material way—so utterly incomprehensible has so much of all this been that one hesitates to place it in the same category as bribe taking and the like.

One is sometimes almost as mystified by what has so often appeared to be the carelessness, the incompetence or the naivete of other public officials who permitted so much of this to occur and who either could not bring themselves to believe it or else had not the courage or the ability to prevent or end it. Again there seems to be little to indicate the usual sort of venality. That the public was in somewhat the same frame of mind as public officials and politicians, seemed to be indicated by the voting in 1948. The professional politicians, as is their custom, have never appeared to take these matters seriously—that is, not the politicians who must bear ultimate responsibility for what took place. Indeed, they appear to be opening a sort of counter offensive against those who have been active in revealing the mess—and it is the excesses of some of the investigators which have given them the opportunity.

But even if all this be regarded as a sort of infectious lunacy, for which the victims cannot be held too strictly accountable, there is enough in the current situation to turn the heart sick. The behavior—and this time without doubt for profit—of much of the palace guard around the White House, the evident abuses with which the history of the Reconstruction Finance Corporation abounds, and all the rest of it in and around the Federal Government—and by no means the least, the apparent lack of concern or certainly of righteous anger on the part of the President himself—constitute a real national scandal of the first order.

Not Only in Washington

Add to this the rotten state of affairs now being exposed in various local political units. The outrageous state of affairs in New York City evidently involving political "higher-ups" reaching, apparently, even to the national government in one form or another, is a startling, but unfortunately not unique case in point. Another aspect of the current situation which adds nothing to the peace of mind of thoughtful citizens is the flouting of the law and of what used to be regarded as the code of honor of the individual on all sides. It used to be popular to say that this situation, or one like it, was to be traced to habits stemming from prohibition—and so it may have been—but if so, and if what has been taking place during the more than a decade and a half since repeal of the 18th Amendment is to be similarly charged, the country certainly has cause to rue the day that the reformers by fiat ever forced prohibition upon the country.

But while we have no doubt that prohibition must bear its part of the responsibility, we find it a little naive to suppose that there have been no other factors. There have been a myriad of restrictive laws—many of them bearing directly upon the ordinary routine life of the individual—since the end of prohibition. Several of them came into existence years prior to our entry into World War II, or even before the outbreak of that conflict in 1939. Their number and the breadth of their application, of course, greatly increased during that conflict. Some of them were so silly and their *raison d'etre* so doubtful that without doubt disregard of them, or even careful scheming to circumvent them, was a natural response. Many of these were abandoned after the end of the war, but some of them at least have been reinstated during the past year — with, as might be expected, a return of evasion or defiance on the part of many elements in the population.

"Smartness" vs. Integrity

It may be that the voting next year, and the conduct of the political parties in preparation for the voting, will reveal a real awakening by the rank and file of the people to all this. We most ardently hope that such will be the case. Meanwhile we, along with the vast majority of thoughtful citizens of our time, must deplore what appears to be a tendency on the part of many to admire "smartness" more than old-fashioned integrity. So long as that tendency exists, we shall not make great headway out of the moral morass in which we seem to be floundering today.

Mui's Investment Service

OKLAHOMA CITY, Okla.—Dr. Kan-Chi Mui has formed Mui's Investment Service with offices in the Cravens Building, to engage in a securities business.

Frederick W. Meert

Frederic W. Meert passed away September 24th at the age of 78. Prior to his retirement he had been active as a stockbroker and insurance broker.

G. H. Walker Adds

ST. LOUIS, Mo.—G. H. Walker & Co., 503 Locust Street, announces that Elzey G. Burkham, Jr., has become associated with them as a Registered Representative.

Mr. Burkham obtained an A.B. degree from Princeton University in 1950. During World War II, Mr. Burkham served in the USNR as a signalman aboard the U. S. S. Mango in the Philippines.

New Shaskan Branch

Shaskan & Co., members New York Stock Exchange, announce the opening of a new branch office at 1609 Kings Highway, Brooklyn, N. Y., under the co-management of Alois Levine and Alexander Davis.

Railroad Securities

New York Central

Although it is traditionally a board room favorite, New York Central stock has been giving a sorry account of itself in recent weeks. Considering the continuing consistently poor trend of its operations and earnings this is hardly surprising. August was particularly disappointing. The decline in freight revenues was virtually offset by the increase in passenger and other miscellaneous receipts. Gross was down only $240,820, amounting for the period to $69,951,145. The percentage drop was normal. Nevertheless, net income was off roundly $2.6 million, to $1,871,633.

Central has spent huge hums on additions and betterments to its properties since the end of World War II. It has purchased a large number of diesel locomotives (the salvation of many roads) and is buying more. Still, it has been unable to get its costs under control. In particular, it continues to have a transportation ratio well above the average for the industry. For the eight months through August 1951 the road reported a net deficit of $1,540,339. This contrasted with a net income of $6,697,722 a year earlier.

Last year itself could not be characterized as a good one for New York Central. It did report share earnings of $2.84 which represented a sizable improvement over the $1.51 earned in 1949. Last year, however, the road had the benefit of a windfall retroactive mail pay increase. No such windfall is in prospect for the current year. Thus, unless there are some major year-end adjustments, or unless there are extraordinary dividends from subsidiary companies, Central's earnings for the last four months can hardly hope to match last year's. For the eight months through August share earnings were $1.04 below the year-earlier level. Thus even if the last four months did match the 1950 results, the full year 1951 would realize only $1.80 a share. Actually, earnings will probably be well below that level.

Taking the eight months as a whole, the poor showing may be attributed at least in part to the ambitious maintenance program undertaken to put the properties and equipment in shape to handle the anticipated record volume of defense freight. Maintenance of way and structures was up $15.5 million and maintenance of equipment $7.2 million from a year ago. This rise in expenses would not in itself be too discouraging. What is discouraging, however, is that transportation expenses rose at such a rapid rate. They were up $32.4 million and the ratio climbed more than a point, to 46.7%.

Coming to August alone, the relative results were even more discouraging. Maintenance expenditures were less of a factor in the drop in earnings. Aggregate maintenance outlays were only about $1 million greater than in August 1950. Transportation costs were higher by $2,378,029 even though gross revenues were nominally lower. The transportation ratio was up to 44.2% compared with 40.7% in August 1950. The magnitude of this deterioration is obvious when it is realized that each point in the ratio is equivalent, before Federal income taxes, to $1.28 a share on the stock outstanding.

Central has a number of unfortunate facets, which to be considerable degree are beyond management control. The very large passenger business, and particularly the commutation service, imposes heavy annual losses. Its average haul is short for a system this size, indicating a large proportion of local freight. This, also, is expensive to handle. The road has extensive terminal operations which impose a heavy burden and this burden has been increasing rapidly since World War II, largely because of labor costs. Unless some, or all, of these problems can be surmounted it is difficult for most analysts to visualize any substantial earnings on New York Central stock.

Rosenwald Acquires Controlling Interest In Lamb Electric

William Rosenwald, Chairman of the board of American Securities Corporation, 25 Broad Street, New York City, has announced the acquisition of the controlling stock interest of Lamb Electric Company of Kent, Ohio.


William Rosenwald

Mr. Rosenwald stated that there will be no change in policy and that present management, headed by Richard J. Lamb, President, will continue to operate the business and is retaining a substantial financial interest. The Lamb Electric Co., organized in 1915, is an outstanding manufacturer of special purpose fractional horsepower motors. Its large peacetime volume of business is being increasingly supplemented by defense orders. The company has approximately 1,000 employees and has customers throughout the United States, Canada and the British Commonwealth.

Gustav Epstein

Gustav Epstein, limited partner in J. Barth & Co., passed away on Sept. 18.

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Legal and Tax Problems Inherent in Gifts to Minors

duty, at the very least, to point out that such a transaction (leaving taxes entirely to one side) has a triple basic fault.

First the property may well become "sterilized" so that it cannot be freely used, even for the advantage of the minor,

Second it may be forever gone, practically speaking, as a working part of integrated family assets and

Third a possible string of dangerous liabilities may well attach to any person, however innocent in a practical sense, who transacts business with relation to the assets in question.

The net result of all this is that a direct transfer to a minor of any substantial asset is, even though it is possible from a practical standpoint, usually unwise. If it is to be done it should be done invariably and simultaneously in conjunction with the trappings of personal representation provided by the legal system. A guardian, at least of the minor's property, should be appointed either immediately after the transfer is made or preferably before.

As lawyers we know that appointment of a guardian both of the person and of the property of a minor is an almost universal part of the machinery of the law. It seems a simple procedure. A petition is required, ordinarily in the family court. The court will almost invariably appoint the petitioning member of the family, if there is no contest, as guardian of the minor's person and will usually do so with relation to guardianship of the property. But as lawyers we also know of the many practical difficulties which go along with legal guardianship:

(a) The process of obtaining legal guardianship is expensive, time consuming, meticulous with relation to notice to be given and service to be made, and conducive, where substantial property is concerned, to family squabbles.

(b) Unless a testamentary guardian has been nominated by the appropriate will and the providing of sureties has been excused, or unless a corporate fiduciary is serving as fiduciary, a bond with sureties must be furnished, which is decidedly expensive.

(c) Again following one of the mental gyrations peculiar to the common law the guardian does not acquire legal title to the property involved but has only certain jealously restricted powers to deal with the property for the minor's benefit. This makes for a "tricky" situation in practice. In the absence of statutory dictate the investment and managerial powers of the guardian are so narrow as to promise an unfruitful fiduciary administration. The guardian has no power over property of the minor situated outside the jurisdiction of appointment.

(d) It is not to be assumed that a father who has been appointed guardian either of the person or of the property of his minor children can freely use the property of his wards for their support. Quite to the contrary he may find that he ought to have provided their support out of his own funds, *pater familias*, and have maintained the ward's funds intact.

It will not do therefore, even without reference to taxes, to conclude that outright transfers to minors are wise and sensible as a matter of normal or average estate planning procedures. Nor will the situation be much improved by use of the fiduciary apparatus which is supplied by the legal system. What usually transpires is a thorough going headache, time consuming, expensive, and uncontrollable for all practical purposes, and, if guardianship be resorted to, the program is super-incumbered with elaborate accountings, appointment of sundry guardians *ad litem* and the filing of assorted petitions for leave to perform even the simplest business transactions.

Coupled with these deficiencies, moreover, goes a troublesome tax problem which I shall discuss at greater length in a moment. That problem is whether any such donative transfer, either outright to a minor or to his guardian can, in ordinary course, be confidently expected to be entitled to the Federal gift tax exclusion. In Austin Fleming's opinion, stated in the scholarly article to which I have referred, there is grave doubt that it can. Mr. Fleming says, of outright gifts, and *a fortiori*, of gifts in irrevocable trust,

"The present state of the tax law . . . leads to the conclusion . . . that the allowance of a gift tax exclusion for gifts to or for the benefit of minors is the exception rather than the general rule; and that many gifts which are made to minors within the annual exclusion limit are in fact future gifts calling for the payment of gift tax on each dollar of gift and laying the donors open to penalties for failure to file returns against which good faith and reasonable belief are no excuse."

Mr. Fleming's opinion was stated, to be sure, before the Seventh Circuit of Appeals issued its pronunciamento in the *Kieckhefer* case, and it may be that this conclusion, especially as related to outright gifts to minors, is too pessimistic.

Yet our general conclusion, it seems to me, is clear. Because of limitations both at the substantive law and under the tax structure an outright gift to minors, or a voluntary transfer to duly constituted guardians of minors is so defective in practice, under the usual circumstances which surround the average family of moderate means, that it is wiser, speaking generally, to avoid them.

Gifts in Trust

But, your client asks, "what about the trust device? Can't we thus obtain all the virtues of minor ownership, plus a controllable elasticity of our own devising?" If Maitland was right in asserting that the development of the trust concept was, perhaps, the greatest accomplishment of the English legal mind and if Austin Scott is right in adding that within the limits of sound public policy the use of the trust is limited only by the imagination of the draftsman, this approach seems, at first blush, to be a promising solution to a very practical problem. The approach is clear. We will choose a trustee who will be thoughtful, if not actually biddable; we will endow him with the broadest possible powers to that he can "cooperate" with the family; we will then endow him with full legal title. Will that not mean that the minor's interests can be shaped in accordance with the dictate of the family interests and yet that all advantages of lower tax brackets will be secured? Will this not remove the thorn which seems to prick everyone's thumb whenever family interests dictate a maneuver desirable for children as well as grown ups?

The answer to this perfectly intelligent inquiry can be given, as all of us know, only in a highly qualified affirmative. It is in this area where our opportunity to serve our client becomes really intricate and difficult to perform —not much more, perhaps, or less difficult than carrying a football without interference the length of a field through eleven highly skilled and determined tacklers, but substantially the equivalent thereof! It is in this area, indeed, where one meets head on not only certain vagaries of the substantive law but more particularly the highly realistic opposition of the tax collector.

We must sort out this trust "grab bag" so that we are sure of thinking together. There are three trust approaches which might conceivably be of use in achieving our client's goal.

The "Informal" Trust

First we might utilize, in any number of informal ways, some variety of the extraordinary device which Lord Eldon so ingeniously made possible by his decision in *ExParte Pye* and which is so gloriously free of requirements of written formality, so long at least, as purely personal property is concerned. This is the informal trust declaration, established, if it is established, by all manner of evidence; remarks, letters, memoranda, designation of title, conduct of the parties, and a miscellany of other legal "tidbits." Chief among these tidbits is the method of "designating" a trust without expressing its terms. How many elders, from grandfather to greataunt or uncle, to father or mother, have declared themselves "trustee" of a bank account, or of some shares of stock, for the benefit of a minor and have assumed in essence, that they could continue to treat the property as their own until death should come, but that on the instant of death the property would become that of the minor! What is this transaction at law? Is it an attempted gift *in praesentia?* No—even Lord Eldon said, and everyone seems to agree, that if that is what it is then it must fail altogether. Is it a gift *causa mortis?* No—a gift *causa mortis* must fail, likewise, unless the specific and intricate requirements of the substantive law are met. Is it then a true and independent transfer of the beneficial interest? Well, the answer, as all of us know, is that it *may be!* And, truth to tell, no one can say with complete accuracy, in most of these transactions or in most jurisdictions, just what has been done at law until some court, at someone's considerable expense, has waded through a mass of conflicting evidence, *after* the event! Do we have here what the New York lawyers and courts have called a Totten Trust? Was the grantor seeking to evade a banking rule with respect to limitation of amounts of deposit in setting up this separate or special account "A trustee for B"? Does the record of subsequent deposits and withdrawals by A mean that it was still A's account for all purposes? Was there any notice to the beneficiary? What indeed is all this? The answer historically comes clear. It is a *law suit!*

These questions, which take us all back to law school, need not be enlarged, I think, to demonstrate the quagmire which confronts any hunter in Lord Eldon's happy shooting preserve. Lord Eldon's declaration that a power of attorney was at law an enforceable trust was not, apparently, a contribution to the certainty of property transactions in the Anglo-Saxon world. I think we must agree that, save in a few isolated instances where statutes try to restore clarity to a muddy situation, we must tell our client that there is much trouble and lit-

the profit in using informal trust declaration precedures of the donative sort; more likely than not we shall end up with a law suit on our hands before we can know whether we do or do not have a valid trust and before we know, beyond any doubt, that the personal property in question will, or will not, constitute a part of the donor's assets for estate and for tax purposes.

Mind you, I don't want to overstate the objection. It is perfectly possible for a grantor to declare a trust, revocable or irrevocable, and constitute himself sole trustee. He may do so with relation to a savings account. The trouble is, as legal history shows, that the transaction is almost never clear-cut and, in the cases where a trust is determined to exist, it is very seldom found to be irrevocable. Thus there is no tax advantage and too often there is grave doubt as to the existence of any trust at all. And, coupled with all these troubles, there is likely to remain the question whether the donative transfer, even if it admittedly is an irrevocable trust, is entitled to the gift tax exclusion.

Our necessary conclusion, it seems to me, is to limit ourselves, if we walk down Lord Eldon's road, to a crystalline clear and wholly formal declaration of trust of whatever property may be involved and to use it only after most careful inspection of the quirks of substantive law attendant upon declarations and the controlling principles of tax law are thoroughly explored. Informal short cuts will not do, however immaculate the theory!

Well, then we are remitted, in sorting our trust grab bag, to the *agreement* or *indenture* of trust, executed as the lawyers say, "voluntarily" or without consideration, i.e., with a duly named trustee as grantee of the legal title of the property and a minor as beneficiary, or *cestui que trust*.

The Irrevocable Indenture of Trust

The *second* of the trust approaches open to us is the *irrevocable trust agreement* or *indenture* approach.

What will our client gain if he uses this device with respect to one or more of his minor dependents? And for what pitfalls must he be alert?

At the outset I think we might agree that there are no fatal roadblocks to this approach at the substantive law. It is universal law that a minor may be beneficiary of a valid trust agreement. The transfer need not be supported by a consideration. Assuming thoughtful drafting and avoidance of such obscure traps as those lurking in the Rule against Perpetuities and against Restraints and Accumulations, one may expect a useful apparatus, inexpensive, elastic, fair in its protection to the fiduciary, designed to assist in the general family plan. Things look hopeful as we swing down this road.

On the tax front, however, it is time for real caution. There are a number of serious risks now to be considered. Is the irrevocable agreement drawn in such a manner as will gain or lose the annual gift tax exemption or exclusion? Is it drawn in such a manner as will surely exclude the trust principal from taxation to the estate of the grantor? Will the income be taxable to the beneficiaries or to the grantor?

The Gift Tax

If the gift to this trust is to be sufficiently complete to free the grantor from income and estate tax liability it must necessarily constitute a completed gift for the purposes of the Federal gift tax. There is, of course, an annual exemption of $3,000 (in the case of gifts by husband and wife it may amount to $6,000) on gifts to any one person except for "gifts of future interests in property." This annual exemption is sometimes referred to as a "nuisance exemption" because it was intended to relieve the taxpayer from any need of reporting incidental gifts of moderate size. The word "nuisance" might better be used in this area to describe the problems raised by the term "future interests." The books are full of cases on the point. Most of them have disallowed the annual exemption in whole or in part as a gift of a future interest where a transfer was made to a trustee.

Just whether the definition of "future interests" reached over the centuries by the substantive law, for its own purposes, is more or less intricate than that reached in a few short years by the tax structure, for its own purposes, must remain an undecided question. It could be like trying to judge whether a wasp or a hornet has a sharper sting! Suffice it to say that the two definitions are not identical. The tax regulations say that " 'future interests' is a legal term, and includes reversions, remainders, and other interests or estates, whether vested or contingent, and whether or not supported by a particular interest or estate, which are limited to commence in use, possession or enjoyment at some future date or time." But what the Code says, or even what the Regulations say, are not as we all know, infallible guides to the outcome of tax cases.

You and I might well agree with Randolph Paul that Congress is not to be presumed to have intended a discrimination against minors in the application of this provision. We might not have expected the disabilities of the minor at substantive law to loom in the picture or to be confronted by sharply differing legal or tax results if the gift is made, on the one hand, to a 20-year-old, or on the other hand to a newly born babe. We might have supposed that appointment of a guardian would do much to import a "present" quality into the transfer. We might have assumed the essential correctness of decisions like *Commissioner v. Sharp* and *Kinney v. Anglim*. But, as Austin Fleming points out, and as tax history clearly records, there is always the risk that if, in fact, the gift for the minor is in excess of his immediate individual needs *some* flavor of future enjoyment is necessarily injected into the case. And it is the fact that the Commissioner has been strikingly successful, thanks to the Supreme Court, in securing disallowance of the exclusion in almost every case where there is *any* impediment, however arising, to the immediate and actual use of gift by the minor donee. The Supreme Court set the stage in 1945 by a sweeping generality. It said, *"Whatever puts the barrier of a substantial period between the will of the beneficiary or donee now to enjoy what has been given him and that enjoyment makes the gift one of a 'future interest'."* On this approach, taken literally, it must follow that the exclusion could be allowed only where the gift is made directly to a minor who is old enough to spend or use it immediately and personally, or to a minor's legal representative who would, in fact, immediately use it for the minor's benefit. If, for example, the minor's needs are already fully taken care of by his parents, or from other sources, and if immediate use of the gift on the minor's behalf is therefore deferred as matter of reasonable fact there is a "barrier," in fact, to present enjoyment. The word "whatever" is a very broad one; the word "immediate" is very sharp. No one could blame the Commissioner, even though gifts to minors were thereby put on a very different basis from gifts to adults, for claiming tax, with such a rousing declaration behind him.

From this difficult impasse there have, of course, always been some "exits" which provide methods of partial escape. The process of allocation between present interests and future interests is well established, based on actuarial tables. Assuming always that the life interest is not too uncertain to lead to forfeiture of the exclusion tax benefits of substantial amounts could be gained before the Kieckhefer appellate decision was rendered.

There has, also, been some additional balm in Gilead lately. The Kieckhefer case may have done something to ameliorate this situation. That decision, I imagine, is one reason for today's discussion of this matter. In that case the donor, who was the grandfather of a new-born grandson, created a trust, appointing the child's father as trustee and providing that so much of the trust income and principal should be paid to or applied for the beneficiary as was necessary for his education, comfort and support, with accumulation of any income not so needed. The trust property was to be paid over to the beneficiary when he reached 21, or to his estate if he died earlier. The attorney who prepared the trust indenture inserted the following language: "The beneficiary shall be entitled to all or any part of the trust estate or to terminate the trust estate in whole or in part at any time whenever said John Irving Kieckhefer (the beneficiary) or the legally appointed guardian for his estate shall make due demand therefor by instrument in writing filed with the then trustee. . . ." This turned out to be the key provision.

The Commissioner disallowed the exclusion as per usual. The Tax Court sustained the disallowance. The Commissioner based his position upon the premise, first, that the infant beneficiary could not make an effective demand because of the disabilities of minority, and that there was no legal guardian in existence, and no certainty that a legal guardian *could* be appointed under the law of the domicile, Arizona (particularly where the father, as trustee, already had power to use the trust funds for the beneficiary's education and support) and that since there was no one capable of making an effective demand for the property it must follow that postponement of enjoyment was certain.

Judge Major, Chief Judge of the Seventh Circuit, wrote the majority opinion. He did a hand painted job of distinguishing the two cases upon which the Commissioner had relied, clearly showing that delay in enjoyment in those cases was the result of the *donor's specification*. He pointed out that the trustee in the case before him was required "at any time" to pay the trust property to the minor beneficiary upon demand if made as provided. He insisted that the "restrictions" upon which the Commissioner relied were *not* imposed by the trust instrument, but, if they existed at all, arose solely out of the disability of the beneficiary due to the fact that he was a minor.

He declared that the disabilities of minority were not significant. He said,

"Without expressly so stating, the Commissioner's position appears to be that the words in the Treasury Regulation 'use, possession, or enjoyment,' mean that the beneficiary must have the actual, physical use, possession or enjoyment of the property, in other words, that the beneficiary occupies the same position relative to the gift that a boy sustains to a top or a girl to her doll. At any rate, the Commissioner's contention irresistibly leads to such a result. *It is not, however, the use, possession or enjoyment by the beneficiary which marks the dividing line between a present and a future interest, but it is the*

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The Security I Like Best

of the management to keep the company in a sound condition. Because of the type of business, inventory costs are exceedingly small.

Dividends are paid quarterly. During 1951 payments have been at the rate of 45 cents quarterly or $1.80 annually. A year-end extra of 45 cents, which I believe could be paid in December, would bring the total dividends to $2.25 for 1951 as contrasted with estimated 1951 earnings of about $3.50. There is also a good possibility that the regular dividend rate may again be increased in 1952.

United States Potash, I believe, has several attractive features, among which are:

(1) A growth stock, providing a good income.
(2) An inflation hedge through its vast potash deposits.
(3) A leading company producing a necessity.
(4) Progressive management.

Seymour Fabricant V.-P. of Wm. Pollock

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, announces that Seymour Fabricant has been elected a vice president of the firm. Mr. Fabricant has been with the firm for sometime in the Corporate Department.

John L. Ainsworth Joins Investment Securities Co.

PASADENA, Cal.—On Oct. 1, John L. Ainsworth become associated with Investment Securities Company of California, 880 East Colorado Street. Mr. Ainsworth, who is well known in investment circles in southern California, was formerly associated with Dean Witter & Co.

Reinholdt Gardner Branch

SPRINGFIELD, Ill.—Reinholdt & Gardner have opened a branch in the Reisch Building, under the direction of R. C. O. Matheny.

Walston, Hoffman Branch

ERIE, Pa.—Walston, Hoffman & Goodwin have opened a branch office at 801 French Street. Leon R. Pointer is associated with the new branch.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to shrink in volume and activity in about the same way as quotations do. As a matter of fact the one-time giant of a market that would take millions on the wire has withered away to almost an insignificant shadow of its former self that can hardly bear up under the trifling amount of a $100,000 transaction. This, to be sure, applies to the intermediate- and longer-term obligations, because there appears to be a dearth of funds at this time that is seeking investment in these particular securities. The short-term market has plenty of funds, and it seems as though the old liquidity preference is again with us, probably as strong as it ever has been.

Because of the restricted activity there have not been more than minor operations going on. Scale buying orders for small amounts of the higher income obligations supply a not too sizable cushion, not enough to even stem the tide of professionalism. Switches continue to be made, however, but it takes much more than the usual time to complete these. A block of the bank $2\frac{1}{2}$s of 1967/72, reportedly were switched into the restricted issues, other than the Vics, and what would ordinarily be a one telephone call operation, turned out to be a rather arduous and somewhat prolonged operation. This is proof of the lack of breadth in the long-term market.

Market in Weak Position

A very thin and cautious government market continues to display a reactionary tone. Sellers appear to be slightly more aggressive than buyers, but the amount of securities involved in these transactions is very limited. Under more normal conditions of volume and activity these trades would probably not get more than even a passing glance of attention. This has been the case for quite a period now and there appears to be nothing on the horizon yet that is going to change it immediately.

Even though the market for the higher-yielding Treasury issues is still on the defensive and prices have reacted substantially from the recent highs, the technical position of these securities has not deteriorated as much as the price decline would lead one to believe. In the first place there are no large blocks of securities overhanding the market. The pressure of necessitous liquidation which forces prices down is lacking in this case. Large institutional owners of Treasuries are not sellers and there are very good chances they will not be sellers in the future. There is more quoting down of prices, most of the time, than there are volume and activity, and this is being done in most instances because dealers and traders do not want to take on inventory. This does the psychological side of the market no good but it does not hurt the technical side one bit. The small amount of securities that is being bought nonetheless is moving into strong hands, and is not very likely to be appearing in the market for a long time.

To be sure, there is a lack of buyers but one of these days they will be around again and when they do come into the market, it is going to be just as hard to buy bonds as it is to sell them now. This will give the whole situation a very different complexion and it will be quite evident then that the technical position of the market has been sound all along.

Treasury's Needs a Factor

The slightly longer certificates, that is, the $11\frac{1}{2}$ month $1\frac{7}{8}$s, had the mountain, mole-hill effect upon a market that just doesn't know what to do about such things now. Also, talk of an impending increase in the prime bank rates does not help to calm the troubled waters. Likewise, there is more than a little discussion about what the Treasury might do in November, because guesses are being made that an offering for cash is likely to be forthcoming about that time. It is reported that a 1953 maturity has been suggested to the Treasury by the American Bankers Association. Such a note would have to have a 2% coupon to attract buyers. None of these temporary influences is going to leave permanent scars on the money markets because there is too much at stake in the way of refundings and maybe future cash financing, to have the government market shiftless as it has been for quite a long time.

Favorable Market Outlook

Also the taxing of savings banks has had a minor influence upon the government market, because this may postpone the time when they would be buyers of the longer-term issues. The municipal market is not exactly bubbling over with joy about the shelf inventory and then there are impending offerings, such as the Housing bonds, and maybe a good-sized New York State issue to be contended with in the future. The condition of the tax-exempt market has an effect upon the buyers of Treasury obligations. Despite the many forces that are coming to the surface to plague the government market at this time, there are, on the other hand, compensating ones that could go a long way toward changing the picture. Foremost among these is the trend of savings, which, if it continues, and there are indications this will be the case, it should have a very favorable effect upon the market for government securities. Then there is the inflation factor, which has been so prominent since the start of the Korean War. This has been mainly psychological and there are more than just a few signposts appearing now that this force is losing much more than a normal amount of its steam. The turn of events may still be in the right direction as far as the government market is concerned.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Joseph W. Stoll has become associated with Walston, Hoffman & Goodwin, American Bank Building. In the past he was manager of the trading department of the Portland office of E. H. Rollins & Sons, Inc.

With Raymond & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald F. Thayer is now affiliated with Raymond & Co., 148 State Street. Mr. Thayer was previously with Clayton Securities Corporation, Investment Research Corporation, and J. Arthur Warner & Co.

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Legal and Tax Problems Inherent in Gifts to Minors

right conferred upon the beneficiary to such use, possession or enjoyment . . . (emphasis added). The Commissioner's reasoning reduces to a myth his conception that gifts to minor beneficiaries are placed on an equality with gifts to adults. At any rate, no illustration is given as to how a gift of a present interest could be made to a minor of tender years. In fact, in oral argument counsel for the Commissioner, when pressed to give an illustration, was unable to do so other than to suggest that it might be made to an existing guardian. But even so, the use, possession or enjoyment of such a gift would not immediately fall to the minor. It could only be used for his benefit and under the law of guardianship in such amounts and at such times as the guardian might deem proper. And it would seem, under the argument here advanced, that its use, possession and enjoyment would be restricted and subject to contingencies which would make it a gift of future interest."

The opinion then presented hypothetical comparisons. If the gift in question had been to an adult it must be held to be a "present interest," since the adult beneficiary could immediately make demand on the trustee for the trust property. If the gift had been outright, i.e. if instead of creating a trust the donor had deposited $3,000 in a savings or checking account, or had purchased government bonds in the name of the beneficiary, or had conveyed an interest in real estate to him, the gift, if made to an adult in each case, must be held to be a gift of a present interest. While a minor might not in all cases be able to obtain the use, possession or enjoyment of the property, he would, in each of the illustrated cases, have acquired the right to the use, possession or enjoyment of the property acting through a legally appointed guardian, or subject to such restrictions or limitations as the law of the particular jurisdiction might impose.

Judge Major said finally, "The fallaciousness of the Commissioner's contention is the failure to distinguish between restrictions and contingencies imposed by the donor (in this case the trust instrument) and such restrictions and contingencies as are due to disabilities always incident to and associated with minors and other incompetents. As to the former, it is authoritatively settled that a gift upon which the donor imposes such conditions and restrictions is of a future interest. In the latter, such restrictions as exist are imposed by law due to the fact that the beneficiary is incapable of acting on his own. It is our view, and we so hold, that such restrictions do not transfer what otherwise would be a gift of present interest to one of future interest."

This interesting decision, I have said, may give some additional amelioration to the harshness of the *Fondren* doctrine. It does not stand alone as a mutation in the evolution of the tax law; it possesses a background of support. It is now probable, or possible at least, that irrevocable trusts for minors can be constructed which may legitimately hope to have the benefit of the gift tax exclusion.

But is this decision the law of the future? No one, as yet can say. And suppose either that it is, or that it is not. How important is it in estate planning for the average family? We must not allow ourselves to be mesmerized by the intriguing ramifications of a relatively unimportant consideration. Ordinarily, I think, a man of moderate means will not want to vest in the minor beneficiary, or in his guardian, an unlimited right to demand all of the trust principal. Ordinarily he would want the minor to have, at most, some sort of tenancy in income.

The use of the irrevocable trust device is, as I see it, neither damned nor blessed to any conclusive degree by the *Kieckhefer* development. It has been usable hitherto, and it now appears to be somewhat more usable, *to the degree to which it suits the average American family*. There are proponents of its use who expect a great deal of it in the future of estate planning, and who consider that it can be made to save a considerable amount of gift taxes, to avoid serious income tax and estate tax problems, and to fit neatly into practical family arrangements, particularly of the cumulative savings type. There is much to be said for that viewpoint where family resources and circumstances permit the use of any irrevocable disposition of property.

But if the irrevocable trust is to be used a very sharp eye must be peeled for tax dangers which lie in an entirely different direction. We must be very careful not to allow the transfer to be frozen solid in every legal sense and then to learn that the adult grantor must continue to pay income tax on the trust corpus, or that his estate, on death, must include that corpus for purposes of taxation. This path is a thorny one and full of perils.

Irrevocable Trusts—The Income and Estate Tax

Manifestly I cannot take the time to discuss in detail the history and development of the celebrated *Douglas v. Willcuts, Hallock and Clifford* doctrines. As of April, 1948 in my Estate Planners Handbook I tried to point the dangers of taxation of irrevocable agreements of trust under a section entitled "The Irrevocable Trust from the Standpoint of Taxation." That was an elementary and informal exposition, which revealed, I am sure, my own reluctance to use the irrevocable trust approach in designing family plans and which, therefore, may seem somewhat prejudiced to some of you. But further reflection upon the development since 1948 of the three classic tax doctrines which must be expected to cut most deeply where transfers in irrevocable trust to minor members of the family are concerned does not leave me in a state of more confidence or comfort than I possessed three years ago.

The concept that reservation of incidents of benefit or control may be the equivalent of actual receipt of income is now so thoroughly established in our tax structure that we may only expect its aggressive extension in the constant chess game between government and its imaginative citizens. I never approach this subject but that I see in my mind's eye that famous granite milestone, known to lawyers as *Burnet v. Wells*. On one side of this stone are inscribed the comfortable words of an old fashioned property law judge (Sutherland).

"The powers of taxation are broad, but the distinction between taxation and confiscation must still be preserved. So long as the Fifth Amendment remains unrepealed and is permitted to control, Congress may not tax the property of A as the property of B, or the income of A as the income of B."

This, of course, was a cheering

legend, to our Victorian eyes. But, alas, that legend was inscribed on the narrow side of the stone, pointing away from the future. On the broad side, indicating the way upon which we have traveled since and are likely to travel hence, was a quite different inscription, written by a quite different sort of person (Cardozo). On that side it was recited that "income permanently applied by act of the taxpayer to the maintenance of contracts made in his name for the support of his dependents is *income used for his benefit*" and is taxable. And as *Douglas V. Willcuts* came along, and then the *Clifford* doctrine, a final and meaningful inscription was added:

"We have at best a temporary allocation of income within an intimate family group. Since the income remains in the family and since the husband retains control over the investment, he has rather complete assurance that the trust will not affect any substantial change in his economic position."

Those cases dealt primarily with the income tax, but much of the same reasoning applies to the estate tax. There is, as we all know, a special pitfall in the area of trusts for the support of dependents. This pitfall has arisen out of the Supreme Court's decision in *Helvering v. Stuart* which held that if the income of an irrevocable trust *might* be used for the support of minor children it was taxable to the grantor-father, whether or not the income was in fact so used. Congress promptly amended the income tax provisions of the statute so as to tax the income only when it was in fact used for support. But nothing was ever done to apply any similar limitation to the estate tax rule. The result is that the whole area of trusts which may be used for the support of minor or other dependents is fraught with serious, though little recognized, danger that the assets may be taxed on the death of the grantor as a part of his estate.

Do I need say more to remind you how difficult it is to avoid tax to the grantor upon the income and corpus of any irrevocable trust which the average American head of family is likely to be willing to accept? Let us leave out of consideration for a moment the comparatively small fraction of our successful men who are completely willing and able to set aside, without any qualification whatever, in the hands of strangers, substantial sums for the present or future benefit of minor dependents. There are such people, of course. They need not bother about the gift tax exclusion. They can pay the gift tax with relative ease. They have enough left over for the family's protection so that what happens in fact to the property in the irrevocable trust in future is of no important concern to them. They want no benefit from that trust, direct or indirect. They want no control of any kind. They are *bona fide* bidding an irrevocable "good bye" to the property involved. They don't need to worry about the great lines of cases to which I have referred. With proper advice they can avoid them in all respects. But I think you and I realize that many of our clients are not in that category. Many of our middle-aged successful businessmen are in a nonliquid condition, heavily concentrated in the types of holdings which ought not to be controlled by strangers. It would, in many such instances, be short sighted for us to advise a permanent reduction either in good realizable assets or in close corporation holdings for any purpose, let alone for the support or benefit of minors; unless, at least, some method of resumption of control in emergency is provided.

We must steadily bear in mind, that whatever the confusion may be among the lower court cases, and whatever rays of hopeful light seem to appear from time to time in isolated opinions, we shall be fooling ourselves unless we realize

(a) That if the purpose and actual effect of the irrevocable trust is, as often is the case, to provide support for a minor person or persons to whom the grantor legally owes support, then the danger of taxation to the grantor and to his estate is real.

(b) That if the grantor wishes, as do most men, to retain even what you and I would call reasonable controls over the trust property, or wants to prevent the trust property from getting away from the family assets and into the hands of strangers, then the danger of tax to the grantor is real, and

(c) That if the grantor wants, as do most men, to provide that when the purpose of the trust has been accomplished or has failed, the property shall return to him or be restored to the family assets then the danger of estate tax to the grantor is real.

And so, while it can be said that the irrevocable trust for the benefit of minors is a perfectly feasible device at the substantive law and, if due caution and great skill be used, at the tax law as well, I think that we must conclude that we ought not to use it without a most careful survey of the situation and allowance of a considerable factor of safety.

I am afraid that we shall find it an exception rather than the rule, however, to encounter a situation in which it is patently prudent and wise for a middle-aged successful proprietor to split up his proprietary holdings among his wife and minor children, or to allocate irrevocably to their benefit considerable portions of his liquid assets. Where we do encounter that situation we should, I think, be most conservative. It is best to construct irrevocable trust agreements with trustees who cannot be said, under any circumstances, to have beneficial interests, or to stand in any "suspicious" basis of relationship to the grantor; the grantor should be eliminated with complete finality from *all* aspects of benefit or administration of the trust; the trust should continue for a sufficient period so that no possible short-term aspect could be involved. In the course of prescribing this sort of document we may not find many occasions when we can warrant possession of the gift tax exclusion and still possess the magic combination of safety on all other tax fronts and accomplishment of a wholly desirable family objective. It goes without saying that to purchase the gift tax exclusion at the price of allowing the beneficiary or his guardian to demand the trust property outright may be to involve a substantial risk from the standpoint of sound family planning.

The kind of situation which is very often encountered in practice, almost universally among younger clients still "on the make," is one in which the grantor would like to make a tentative allocation of family assets, or, perhaps, to create an investment account for his minor children, with a minimum of legal apparatus, and yet feel reasonably certain that in a pinch he can change the arrangement; but he would like assurance, also, that if no occasion arises for making a change before his death the "set up" will "stick" at law, not as a part of his estate but on its own two feet. The grantor often wants to be a trustee or co-trustee of this arrangement. He certainly wants the broadest powers of management and allocation of benefits to reside in the trustees and, frankly, he wants to have a "finger in the pie" at all times.

This perfectly natural objective cannot, manifestly, be obtained by using the irrevocable trust, nor can any substantial tax savings be obtained on such a basis.

The Revocable Trust

Yet, our third and last method of trust approach is, in my opinion, a very valuable—perhaps the most valuable—tool in our estate planning kit. It fits extremely well with modern investment programs for minor children, some of which, on a basis of periodic purchase, give a comfortable sense of accomplishment and may become extremely worth while if allowed to accumulate or if combined, as is entirely feasible, with the purchase of life insurance.

I use the revocable trust as the keystone in a high proportion of my estate plans. I even use it, to a marked degree, for clients domiciled in my Commonwealth, as a general receptacle into which probate assets are poured. I hope I don't do so recklessly; certainly the Fourth Chapter of my Estate Planners Handbook goes clear out of its way to certify to my fellow workmen the problems relating to the sufficiency as a present legal transaction of the revocable trust; the titillating problems concerned with incorporation by reference and "independent nontestamentary significance," and the questions, almost of public policy, with relation to creditors and particularly to surviving wives. I refer you to my Handbook and I repeat those warnings; it is necessary to do so for only recently I have been excitedly described as something of a zealot who is playing fast and loose with the legal safety of my clients' affairs. Being in the good company of some rather surefooted scholars I am not disturbed about the use of the revocable trust in the hands of thoughtful workmen and for the present purposes, at least, I shall assume a completely legal structure. On that assumption I am very clear about its practical advantages:

(a) It is a very handy protective device *inter vivos*; much superior to agency, power of attorney, guardianship and committee arrangements of any kind.

(b) It is private in nature, since it is not ordinarily subject to court routine as part of the probate estate.

(c) It is economical, for the same reason.

(d) It is much more flexible than a testamentary instrument can possibly be.

(e) It possesses great virtues with respect to doctrines of the conflicts of law, i.e. it can be pinned down to whatever body of controlling law the grantor may choose.

(f) It possesses, in some jurisdictions, a limited power to protect its corpus, and even its income, against attacks of the grantor's subsequent creditors.

(g) In a very limited way it may save some local inheritance or estate taxes.

Of course, we all know that a transfer to a revocable trust for a minor beneficiary is not a taxable gift, that the income of a revocable trust continues to be taxed under Federal rules to the grantor and that the *corpus* of a revocable trust is taxable to the grantor's estate on his death. Nothing much can be gained tax wise, therefore, by its use in connection with transfers to minors. But all else is set right by its use and much is accomplished for the average family.

If the instrument is drawn with care a vehicle is provided to which future sums can be easily added which may go on through permitted periods until the job is accomplished. The disabilities of the minor and his powers to disaffirm are no longer a problem, for the trustee is the full and competent owner and manager of the property. There need, ordinarily, be no trust accountings rendered to court. There are no guardians *ad litem*, no surety bonds, no delays, no added expenses. The probate estate of the grantor is correspondingly decreased. The trust may be mortised into any other family estate planning document in any desired way. All is saved, indeed, but death and taxes. And death and taxes, I have heard it said, are events which, over the long run, we cannot reasonably hope to avoid!

I conclude this rather lengthy discourse, therefore, by making note of what seem to me to be established propositions of estate planning as of this moment. *First*, outright gifts to minors are very seldom advisable for the man of average means; the substantive law is not friendly to them and they almost invariably cause trouble. *Second*, informal "short-cut" declarations of trust for minors are dangerous quagmires of legal uncertainty. *Third*, irrevocable transfers in trust for minors can be used efficiently in the relatively few instances where they fit well into average family plans but the draftsman must do a meticulous job and, above all, make his client understand the considerable gift, income and estate tax hurdles which stand in his way and the practical price which he must pay in exchange for all tax advantages; *finally* use of the revocable trust agreement for transfers to minors lacks any substantial virtue tax wise but ought not to be overlooked merely for that reason—much is accomplished in a practical sense and the family plan is gracefully rounded out by its intelligent use.

Public Utility Securities

By OWEN ELY

Western Massachusetts Companies

Western Massachusetts Companies is a Massachusetts voluntary trust with only one important subsidiary: it owns all the common stock of Western Massachusetts Electric Company, successor to some 13 subsidiaries which over the past 20 years have been merged into a single company. The subsidiary serves electricity to 55 cities and towns in western Massachusetts, has a $63 million plant, and its revenues approximate $18 million.

The parent company has oustanding 978,000 shares of no par common stock which is currently quoted over-counter around 31 (last year's range was 36-29). The dividend rate is $2, indicating a yield of about 6.4%. Parent company earnings approximated $2.28 a share in the 12 months ended Aug. 31, compared with $2.67 in the previous period, and on the basis of these figures the dividend payout is about 89%. The common stock record over the past decade is shown in the accompany table.

	Earnings Avail. Per Share	Divs. Paid Per Share	Percent Payout	Range of Per Share Market Quotations
1950	$2.70	$2.00	74.1	$29 -$36
1949	2.64	2.00	75.8	27 - 32
1948	2.30	2.00	87.0	25 - 32
1947	2.41	2.00	83.0	30 - 38
1946	2.67	1.95	73.0	33 - 43
1945	1.84	1.65	89.7	25 - 38
1944	1.89	1.60	84.7	22 - 27
1943	1.69	1.60	94.7	16 - 25
1942	1.76	1.60	90.9	15 - 21
1941	1.91	2.00	104.7	17 - 30
1940	2.17	2.00	92.2	25 - 36

It is estimated that actual earnings for the calendar year 1951 may cover the dividend by only a small margin. The subsidiary company expects to file an application for increased rates, which would provide increased revenue of about $1,200,000 per annum; had the proposed increase been effective throughout the calendar year 1951 share earnings would approximate $2.71. This would put the company's rate of return up around 6½% if applicable to 1951, but on the basis of estimated 1952 earnings the return would be under 6¼%, about the rate allowed in the telephone case by a Massachusetts Court.

The company has a reserve for "hydro equalization." In the 12 months ended August, $117,419 was accrued for the reserve by a charge to income, while in the previous period earnings were increased by $108,093 through charges to the reserve. Thus the bookkeeping in connection with this reserve accounted for over half of the decline in earnings in the 12 months ended Aug. 31. The system has worked well as an offset to the vagaries of the Connecticut River, and after five years' experience the reserve is close to its starting point.

The company has had to do comparatively little financing in connection with its postwar construction program. It ended the war with a substantial amount of cash and securities, which were drawn down for construction needs. In 1948, $8 million bonds were sold and no further financing was needed until recently, when the subsidiary arranged for an $8 million bank credit. It is estimated that this will take care of the company's current program which will include completion of a second 42,000-kw. unit at West Springfield. The company has electrified 99% of its farms in the area so that virtually no construction work will be required in the future for this part of the business.

Capitalization at the end of 1950 approximated 49% debt and 51% common stock. Depreciation reserve at 25% of utility plant appeared adequate. The company in 1950 took down 15% of revenues to the balance for common stock, which was better than the national average.

The area served by the company is highly industrialized as indicated by the breakdown of revenues—31% residential, 21% commercial, 38% industrial and 10% miscellaneous. Residential revenues per kwh. in 1950 were 3.47 cents—considerably above the national average, but down substantially from the 4.40 cents in 1941. Residential usage was 1,628 kwh. compared with 972 in 1941. Appliance saturation in 1950 was 80% for refrigerators vs. 79% U. S. average; 28% for ranges vs. 21%; 4% for freezers vs. 7%; and 3% for water heaters vs. 12%. The sale of water heaters will be pushed over the next five years, the goal being 10,000 heaters.

The company has comparatively high power bills, which explain its high residential rates. Fuel costs in 1950 were 38.5 cents per million btu's compared with 25 cents U. S. average. Taxes are also higher—$28 per $1,000 of plant investment vs. $20 U. S. average.

Earnings in 1953 should benefit by an estimated $900,000 saving (before depreciation and taxes) from operation of a new generating unit; $500,000 would be the "firm" saving on a power purchase contract while the remainder represents estimated fuel savings, etc.

The company's industrial customers are quite well diversified. Metal and metal products companies contribute about 40% of industrial revenues—a great deal more than textiles, usually considered the principal New England industry. U. S. Rubber is the company's largest customer, along with General Electric, Monsanto, Westinghouse Electric, Chapman Valve, and others.

Clarence R. Templeton

Clarence R. Templeton passed away at the age of 65 after a long illness. Mr. Templeton was a former member of the New York Stock Exchange and was a partner in Wade & Templeton, New York City.

Schwartz Director

A. Charles Schwartz, partner in the New York Stock Exchange member firm of Bache & Co., has been elected a director of Consolidated Engineering Corp., Philip S. Fogg, President, announced.

Municipal Bondwomen's Club of N. Y. Announces Educational Program and Elects New Officers

Initial talk to be made by William G. Laemmel. New President of Group is Frances Isengard.

The Municipal Bondwomen's Club of New York announces that its educational program for 1951-52 will begin today with a talk on "Housing Bonds" by William

William G. Laemmel Frances W. Isengard

G. Laemmel, Vice-President of Chemical Bank & Trust Co., and head of the bank group's housing syndicate. This first meeting will be held at the 30 Broad Street Office of the bank.

This year the Club's Educational Committee is planning a series of talks by eminent guest speakers. While the full program is not yet complete, the roster will include: Winthrop S. Curvin of Smith, Barney & Co. (Nov. 8); Townsend Wainwright, of Wainwright, Ramsey & Lancaster (Nov. 29); Robie L. Mitchell of Mitchell & Pershing (Dec. 13); and Phillips Barbour of the Bond Buyer (January—exact date to be announced later).

The Educational Committee for 1951-52 is composed of the following members: Margaret O'Neill Angerman (Adams, McEntee & Co.); Anne J. Kirkpatrick (Dominick & Dominick); Sara B. Pardy Powers (R. D. White & Co.); Anna F. Schreiber (Mitchell & Pershing); Elsie Schuyler, Chairman (Chemical Bank & Trust Co.).

Frances Isengard Elected President

The club elected Frances Weller Isengard of Harry Downs & Co., President, succeeding Cathleen K. Morin of Smith, Barney & Co., at its annual meeting, Sept. 20.

Sara Pardy Powers of R. D. White & Co., was elected Vice-President, succeeding Margaret M. O'Neill of Adams, McEntee & Co., Inc.; Jean C. Schwarzwaelder of W. E. Hutton & Co., was elected Secretary, succeeding Edith Mertens, of the Mercantile Trust Company, and Grace Zvonik of Laidlaw & Co., was elected Treasurer, succeeding Frances W. Isengard of Harry Downs & Co.

Elected members of the Board of Governors are: Mary M. Varley of Harriman Ripley & Co., Inc., and Elsie T. Schuyler of the Chemical Bank & Trust Co.

Continuing Governors will be: Cathleen K. Morin, retiring President; Louise Bullwinkel of Tripp & Co., Inc., and Dorothy Root of F. S. Smithers & Co.

Continued from page 13

Investment Company Securities As Trustee Investments

Instead, they invest only in the fixed-income securities available from the Legal List, knowing full well that they are not carrying on in the way the donor expected, or in the way in which he himself would have managed his affairs.

As a result of such fears and uncertainties, many thousands of widows and other trust beneficiaries are obliged to live on a much more modest scale than ever before. And this, in the year 1951, when the national income and the national standard of living are higher than ever before! There is only one bright spot in the picture, if it can be called "bright." Eventually, the remainder-men of these trusts are supposed to be assisted in receiving the same number of dollars that were placed in trust originally. The Legal List Rule is designed to try to bring that about, above all. But is that what most businessmen anticipate when they write their wills? Are these the results they desire? Are these, in fact, the results any of us would want? I think we'll all answer "no" to that. No man intends to prefer remote beneficiaries over his widow and children. I imagine that all of you who live in Legal List States will take care to find a lawyer who will draw up an instrument that gives your trustees the broad, explicit investment powers they need in order to care for those you leave behind as you would have them cared for. Why will any of us go to this trouble and expense? Is it not because we really believe that the Legal List Rule is an inadequate guide to investment under present-day economic conditions

Progress Toward Change in Legal Lists

Whether or not we all agree that the Legal List Rule is outmoded, a sweeping change in the thinking on this subject has taken place in the last 10 years as fiduciaries, trust draftsmen, investment managers and alert legislators have struggled to find a solution to the serious problem I have tried to outline here. The reform began about 10 years ago when Mayo Shattuck, prominent Boston attorney and trust authority, began a speaking and writing campaign urging nation-wide repeal of the Legal List Rule which then governed the investment powers of fiduciaries in all but nine States. Mr. Shattuck urged adoption of the Prudent Man Rule, which had been in effect in Massachusetts since 1830, and in 1940 was in effect in nine States out of 48. Under this rule, he pointed out, fiduciaries were free to use their own discretion in selecting securities portfolios to meet the differing requirements of different beneficiaries so long as they conducted themselves as prudent men in accordance with the local definition of that term. His views were immediately supported by many lawyers and bankers and fiduciaries of all types throughout the country, particularly by those who suddenly found themselves unable to fulfill their responsibilities to beneficiaries under the State Investment Laws then in existence. In the winter of 1942, the Trust Division of the American Bankers Association formed a Committee on Fiduciary Legislation to study the problem. Shortly thereafter, this committee, composed of a number of the outstanding senior trust officers in American banks, recommended that a Model Trustees' Investment Statute be prepared for the guidance of those fiduciaries who wished to propose the adoption of the Prudent Man Rule for trust investment in their own States. This statute became known as the Model Prudent Man Statute. It has been adopted by many States in recent years. By 1949, in fact, 13 more important States had enacted the Model Statute or something closely approaching it.

By 1949, much had been done to alleviate the problem of those fiduciaries who had previously found it impossible to provide beneficiaries with an adequate living income; but much remained to be done. While fiduciaries in recent Prudent Man States no longer hesitated to invest a portion of the funds under their control in equities, most of them were in a position of having limited funds for investment at their disposal. As a result, they were unable to purchase enough different securities to provide adequate diversification of investments. Lacking the funds to achieve such diversification, many hesitated to buy equities at all. Most of these fiduciaries knew that the shares of reputable investment companies would provide the diversification they needed, but the lawyers among them, at least, knew that there were certain ancient legal prohibitions relating to the delegation of fiduciary duties and to mingling of trust assets. Most of them did not believe that the purchase of investment company shares constituted such a delegation of their responsibilities, but having little or no specific law with which to back up their belief, they hesitated to purchase them. This hesitation persisted in spite of the fact that trustees in older Prudent Man States had been making similar acquisitions for generations without criticism either upon the ground of improper delegation or of mingling.

Right to Purchase Investment Company Shares

This dilemma did not last long, however. In 1948, two important events took place which clarified this legal question to the satisfaction of many. In that year, the courts in Ohio and Massachusetts were asked to express an opinion on the question of delegation. In each instance, the courts upheld the fiduciary's right to purchase investment company shares, and no official expressions denying this right have been made in any Prudent Man State.

In the Ohio case, the intermediate Court of Appeals affirmed a lower Court's judgment to the effect that the purchase of investment company shares did not represent an improper delegation by the trustee involved and that he could not, therefore, be made the subject of a surcharge. In Massachusetts, in answer to Mayo Shattuck, who had requested clarification on the point, the first judge of the Probate Court for Suffolk County wrote him as follows: "I put the question of the propriety of a trustee purchasing shares of investment companies and investment trusts on the agenda for the meeting and the matter was discussed at length. Of the 20 regular Probate Judges in this Commonwealth, 16 were present. I am now in a position to inform you that none of the judges present have any objection to a trustee investing in the type of securities mentioned above. It was the unanimous feeling that the Probate Judges of this State, to keep abreast of the times, should recognize the fact that such purchases are not such a delegation of authority on the part of a trustee as would warrant an objection on that score alone. The judges reserve the right, however, to apply the Prudent Man Rule in every case and the trustee will be held to the same rigid standard in the purchase of these securities as he would in making other investments."

But even now, in spite of the foregoing, this question has not been sufficiently clarified for many trustees because there has not as yet been any State Supreme Court decision on the matter. It is interesting to note, at this time, that the long-awaited

decision may come down at any moment from the Supreme Court of Oklahoma. In March, 1951, in the matter of Flynn's Estate, the District Court of Oklahoma County summed up the issue very nicely, and I quote: "That although under the preceding finding, trust funds can be invested in any type of property meeting the statutory standard, the Court, since requested by the parties, specifically finds that prudent men, in accordance with the statutory standard, are at the present time investing in stocks and obligations of corporations and in shares of investment trust companies. That the responsibility under the statute for the selection of proper investments rests with the trustees, and if the statutory standard is adhered to and the intention of the Legislature followed, it is neither proper nor expedient for the Court, absent exceptional circumstances, to specifically designate any certain securities as proper for trust investment. The Court further finds that the investment by trustees in shares of investment trusts does not constitute a delegation of authority in the sense that a trustee's discretionary powers cannot be delegated to others, and that a trustee in determining what types of shares should be purchased discharges his discretionary duty in the sense required by law, and the fact that a corporation, whether it be a business corporation or an investment trust, is managed by persons other than the trustees, does not constitute such an unwarranted delegation of authority as would prevent a trustee from investing therein." When the Oklahoma Supreme Court hands down its decision in this case, assuming it is in the affirmative, only the most timid of trustees and fiduciaries will hesitate to purchase investment trust shares thereafter. Fiduciaries throughout the country await this decision in hopeful expectation.

Early in 1950, the growing importance of mutual fund shares as a medium for fiduciary investments caused leaders in the mutual fund business to join together in an effort to speed the progress being made. A Committee on Arrangements was formed and interested individuals—lawyers, investment men, bankers and other fiduciaries — in various States were assigned to the difficult task of obtaining support for and passing either amendments to Prudent Man Bills already in existence, or entirely new Prudent Man Bills which would expressly authorize fiduciaries to acquire and retain every kind of property including, but not by way of limitation, bonds, debentures and other corporate obligations and stocks, preferred or common, and securities of any open-end or closed-end management-type investment company or investment trust registered under the Federal Investment Company Act of 1940, as from time to time amended, which men of prudence, discretion and intelligence acquire or retain for their own account.

The extremely rapid progress which has been made since the formation of that committee is a matter of common knowledge by fiduciaries everywhere by now. Countless numbers of individual fiduciaries, charitable organizations, benevolent societies and smaller banks and institutions suported adoption of such new legislation once they realized the advantages of investment company shares. Through the use of these shares, fiduciaries handling smaller trust accountds—and the number of small accounts increases yearly — could gain four main advantages among others. In order of importance, these advantages are: (1) professional investment management devoted to careful selection of securities and full-time supervision of the securities selected; (2) broad diversification of risk in the shares of many leading corporations in all of the country's leading industries; (3) freedom from the expense and time-consuming details of handling the mechanics of investing, collection and reinvestment of many dividend checks, disposition of stock warrants, bookkeeping for tax purposes, etc. —all of the things which most fiduciaries have little time for or little experience with; (4) elimination of the cost of hiring investment counsel and purchasing adequate investor's services and manuals. These expenses are usually a heavy burden on smaller trust accounts.

In the year and a half which has passed since our committee began to act on the problem, a number of States have passed such permissive legislation of one kind or another. This spring three States — Colorado, New Mexico and Tennessee — adopted the full Prudent Man Rule by model statute with an amendment specifically authorizing the shares of investment companies for fiduciary investment. Three more States—New Jersey, North Dakota and South Carolina—passed partial Prudent Man Rule bills which authorized fiduciaries to purchase investment company shares with a portion of the funds under their control. Kansas, Maine and Washington passed amendments to their model statutes permitting the use of investment company securities. Wisconsin amended its trust laws to include the use of investment company or trust securities.

This spring, also, the State of Utah adopted the old Model Prudent Man Statute which specifically suggests equities for fiduciary investment and, as you know, New York has also adopted a limited 35% Prudent Man Rule amendment. While the change in the New York law is regarded as particularly significant in view of that State's outspoken reluctance to depart from the Legal List doctrine, the new law is unfortunately hedged and limited in its application of the Prudent Man Rule. A few of the States which have passed remedial legislation this year were States in which the committee had not as yet taken any action. Only the other day, in fact, a lawyer friend wrote that West Virginia, a Legal List State, had passed a Prudent Man Rule which applied to investments by the "Board of Trustees of, or any fiduciary for, any university, college, seminary or other institution of learning and of any hospital, church or other eleemosynary or charitable institution or association."

I am sure that you will all be interested in hearing of legislation which the State of New Hampshire adopted several weeks ago. In this State the Legislature has taken a remarkable step forward which may well be the forerunner of an entirely new series of bills throughout the country, particularly in those States which are dotted, as New Hampshire is, with a great many small cities and towns. The new Bill passed by the Legislature permits trustees of public monies to "establish, maintain and operate one or more common trust funds, in which may be combined money and property belonging to the various trusts in their care, for the purpose of facilitating investments, providing diversification and obtaining reasonable income." Investments must be confined to stocks and bonds eligible for savings bank investment which include, among other things and under certain circumstances, the securities of investment companies. In short, it authorizes, on an optional basis, the device of collective investments with certain safeguards regarding the identification of the several funds in the pool. The various public trusts existing in any town may be pooled or mingled together and invested collectively in order to obtain better diversification. The Bill as adopted was also extended to cover cemetery associations and trustees of State institutions such as the State Hospital, State Prison, State Industrial Schools, etc.

Now, after 10 years of progress, only 17 States remain in which trustees are unable to invest the funds under their control, or at least a part of those funds, in accordance with their own best judgment and discretion. Much remains to be done, however, not only in Legal List States with no fiduciary legislation, but also in a number of Prudent Man Rule States which have not, as yet, adopted an amendment which specifically mentions investment company shares as authorized for fiduciary investment. In this coming year, therefore, our committee has plans for urging the passage of such legislation in such important States as California, Kentucky, Louisiana, Mississippi and Virginia, the only important States in which the Legislatures meet this coming year. I hope that we may count upon the continued support of those of you who have been urging such legislation and also upon those among you who appreciate the importance of the problem and want to see something done about it in your own States.

James Imhof Joins King Merritt Co.

James R. Imhof

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—James R. Imhof has become associated with King Merritt & Co., Inc. Mr. Imhof was formerly manager of the trading department for Waldron and Company and prior thereto was with First California Company.

Bankers Offer Toledo Edison Co. Pfd. Stock

The First Boston Corp. and Collin, Norton & Co. head an investment banking group which publicly offered yesterday (Oct. 3) a new issue of 50,000 shares of 4.56% cumulative preferred stock, $100 par value, of The Toledo Edison Co. The stock was priced at $100 per share plus accrued dividends from Sept. 1. 1951.

The new stock is redeemable on or prior to Sept. 1, 1956 at 104 and thereafter at prices scaling down to 101.

Supplying electricity in an area of approximately 2,500 square miles in and around Toledo, Ohio, the fourth largest city in the State, The Toledo Edison Co. is required to expand the generating capability of its system substantially as the area continues to experience rapid industrial growth. With the oil and glass industries in this large railroad center alone earmarking $90,000,000 for post-war expansion, the utility through construction expenditures of $60,500,000 during the next five years, will increase its system's capability from 368,000 kw to 475,000 kw.

While approximately one-half of the estimated $60,500,000 for utility expansion will come from additional financing in the future, the balance will be derived from the proceeds from the current sale, from funds on hand and derived from depreciation reserves and retained earnings, and from a revolving credit agreement.

Giving effect to this issue, the company will have outstanding $47,000,000 of long-term debt; $2,700,000 in 2% bank loan notes; $4,845,000 under a revolving credit agreement; 210,000 shares of $100 par cumulative preferred stock and 4,160,125 shares of common stock.

Cyrus B. Johnson With Harris Upham

(Special to The Financial Chronicle)

CARMEL, Calif.—Cyrus B. Johnson has become associated with Harris, Upham & Co. He was formerly local manager for Davies & Mejia and prior thereto was with Schwabacher & Co. and Dean Witter & Co.

With F. H. Breen Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Donald F. Grannis has been added to the staff of F. H. Breen & Co., 609 South Grand Avenue. He was formerly with E. F. Hutton & Co.

John W. Eustice With Dempsey-Tegeler Co.

John W. Eustice

(Special to The Financial Chronicle)

CHICAGO, Ill.—John W. Eustice has become associated with Dempsey-Tegeler & Co., 209 South La Salle Street. Mr. Eustice was formerly in the trading department of Cruttenden & Co. and prior thereto was with Fred W. Fairman & Co.

With King Merritt

OAKLAND, Calif.—George L. Trees is with King Merritt & Company, Inc.

Dick & Merle-Smith Admit

C. Archibald McVittie will be admitted to partnership in Dick & Merle-Smith, 30 Pine Street, New York City, members of the New York Stock Exchange, on Nov. 1.

Mutual Funds

By ROBERT R. RICH

Are Stock Prices Too High?

Fund Deplores Use of Averages In Judging Present Market Level

"Market averages are little more than handy measuring sticks," which, in themselves, give little or no clue to the state of the market's health, National Investors reported to its shareholders this week.

Noting that a growing group of observers and investors seem to be influenced by financial headlines which emphasize the stock market's present 21 year high, the fund asked that shareholders and dealers take a look at the values behind today's stock market prices.

The fund stated that, "We don't propose to say whether the market is high or not, but we do believe that it is important at this time to draw attention to the fact that market averages are little more than handy measuring sticks.

"As every doctor knows, the height of a patient provides little or no clue to the present or future state of his health. In examining the state of the market's health, it is more important to review and appraise the values that are behind stocks and their relationship to prices than merely to know price levels."

Under the heading, "No Conclusions or Predictions," the fund stated that only hindsight will reveal whether the present level of stock prices is high.

It was pointed out, however, that comparisons with past bull market peaks indicate that values today have not generally been appraised on a liberal basis. The report indicated that today's conservative value appraisal, as reflected in current stock market prices, furnishes strong evidence that the speculative enthusiasm is not the influence in stock prices now that it typically has been during previous bull market peaks.

The fund warned that it was equally important to take into account the possibility that a large group of investors, "may consider current earnings, dividends, and asset values so influenced by inflation as not to justify the same high valuations as in the past."

The table below gives the fund's calculations of what present stock market prices might be if the same ratios of price-to-value were as true on Aug. 31, 1951 as March 10, 1937:

Hypothetical Stock Prices If Earnings and Dividend Ratios Were The Same for Aug. 31, 1951, as They Were for March 10, 1937

	*1950 —Per Share— Earnings	Dividends	Hypothetical Prices if Stocks Sold on Aug. 31, 1951 at Same Relation to Earnings, etc. as at March 10, 1937 — Based on 1950 Earnings	Based on 1950 Dividends	Actual 8-31-51 Closing Prices
Allied Chemical	$4.65	$3.00	$102.86	$126.58	74⅞
American Can	12.68	5.00	247.00	94.16	116⅝
American Smelting	14.91	6.00	229.61	156.25	92⅝
American Telephone & Telegraph	12.12	9.00	227.73	175.88	161⅛
American Tobacco	7.17	4.00	155.52	64.20	63
Bethlehem Steel	12.15	4.10	607.50	284.72	54
Chrysler	14.69	9.75	135.00	106.44	70¼
Corn Products Refining	8.42	3.60	150.55	66.30	75⅛
Du Pont	6.59	5.35	151.83	152.42	98⅜
Eastman Kodak	4.09	1.70	83.60	42.39	46
General Electric	6.05	3.80	242.24	136.69	59⅝
General Foods	4.58	2.30	72.68	43.98	44¼
General Motors	9.35	6.00	116.41	88.89	50
Goodyear	15.62	5.00	180.25	†	94½
International Harvester	4.72	1.95	91.71	85.90	34½
International Nickel	3.21	2.00	97.30	111.73	39⅜
Johns-Manville	7.22	3.50	207.21	121.11	61⅜
Loew's	1.47	1.50	17.52	34.40	17⅛
National Distillers	3.45	2.00	29.05	23.28	32¾
National Steel	7.88	2.85	122.93	82.61	53¾
Procter & Gamble	6.34	3.25	163.19	106.91	70¼
Sears Roebuck	6.08	2.75	102.02	68.92	54⅛
Standard Oil of California	5.26	2.50	143.97	102.04	53¾
Standard Oil of New Jersey	6.74	2.50	136.42	94.34	70
Texas Company	5.41	3.25	78.34	128.46	55½
Union Carbide	4.31	2.50	115.64	119.05	64
United Aircraft	4.48	2.00	196.00	133.33	31⅞
U. S. Steel	7.29	3.45	313.76	†	43⅛
Westinghouse	5.36	2.00	141.93	55.25	39½
Woolworth	3.83	2.50	61.82	56.56	43⅞
Atchison, Topeka & Santa Fe	15.65	4.25	867.79	183.19	78½
Union Pacific	14.80	5.00	263.00	121.36	101¾
American Gas & Electric	4.86	3.00	86.95	83.57	59⅛
Detroit Edison	2.18	1.20	33.86	25.97	22¼

*Calendar year or nearest corresponding fiscal year. †No dividends paid.

Portfolio Changes

TWO NEW holdings were added to Broad Street Investing's portfolio during August — Rochester Gas & Electric Corporation (7,000 shares) and Shamrock Oil and Gas (4,000 shares).

Commenting on the new holdings in its portfolio, the Fund stated that Rochester Gas and Electric's net income has shown a good trend in recent years. Although the earnings have not kept pace with investment in new plant and equipment, the company applied for an increase in rates early in 1951, and the resulting New York Public Service Commission order in July will permit rate increases of about $1,500,000 annually.

The Rochester utility, the Fund noted, has paid dividends at the annual rate of $2.24 per share since the stock was publicly sold in 1949, and in view of the upward trend in earnings, the dividend rate seems, to Broad Street, to be secure and to provide a return that is relatively high for a conservatively financed utility operating company. Earnings per share on June 30, 1951, amounted to $2.72, or adjusted to the new per share figure of July 31, earnings were $2.30.

The other addition to the portfolio, Shamrock Gas & Oil, is a small company that operates largely in the Texas Panhandle, New Mexico, and Colorado. Although the principal business of this company is said to be production and processing of natural gas, the company has other interests which are increasing in importance in allied fields.

The Mutual Fund noted that in the years between 1946 and 1950, Shamrock achieved an outstanding growth, with daily deliveries of natural gas 63% higher, sales of natural gas liquids more than doubled, crude oil production increasing by 167% and refinery output by 160%.

Earnings per share of Shamrock have risen from $1.26 in 1946 to $4.28 in 1948. Because of a reported top-heavy inventory position in 1949, earnings declined to $3.63 in 1949 and were $3.54 in 1950. Reported earnings per share for the first six months of 1951 were $1.69, or at an annual rate, $3.40.

Dividends were increased from $0.50 in 1946 to $2.00 annual rate announced in the first quarter of 1951.

Other increases in Broad Street's portfolio during August, 1951, were American Cyanamid (300), American Gas & Electric Company (250), Central Illinois Light Company (300), Green Company, Inc. (H. L.) (300), Kansas Gas and Electric Company (1,000), Mid-Continent Petroleum Corporation (1,300), National Fuel Gas Company (5,000), United Paramount Theatres, Inc. (5,400), and Wisconsin Power and Light Company (1,000).

Decreases were Commonwealth Edison Company (eliminated at 5,800), Illinois Power Company (eliminated at 3,000), and Louisiana Land and Exploration Company (reduced by 5,100).

COMMON STOCKS acquired by Nation-Wide Securities Co. during the three months ended Aug. 31 included Allied Stores Corporation, 1,000 shares; Burlington Mills Corporation, 3,000; Equitable Gas Company, 200; General Portland Cement Company, 1,000; Iowa-Illinois Gas and Electric Company, 3,000; Public Service Company of Indiana, Inc., 4,000; Rochester Gas & Electric Corp., 3,000; Seaboard Air Line Railroad Company, 500. Sales of common stocks included 800 International Paper Company; 3,000 United Aircraft Corporation and 2,300 United Paramount Theatres, Inc.

Holdings of common stocks at the close of the quarter amounted to 46.15% of total net assets; preferred stocks, 17.10%; U. S. Government bonds, 17.27%; other bonds, 16.53%, and cash, etc., 2.95%.

Total net assets of Nation-Wide Securities Company on Aug. 31

In Reply to a Reader

A reader, referring to the Mutual Funds column of Sept. 13, questioned our spelling of the coined word, "investible." The word was used then to designate that part of a man's savings available for securities investment as his "investible" surplus.

The reader thought it might better be spelled, "investable" on the grounds that the word meant "*able* to be invested."

Two etymologists and one lexicographer have been consulted, and although one of them questioned the present indiscriminate practice of minting new words, all agreed that if words are to be coined, it should be done on historical principles.

With this in mind, your columnist wishes to point out that the root of "investible" is the Latin infinitive, "investire." In further support of our way of spelling "investible," it is noted that one unhappy word coinage, now rarely used, is "investitor," meaning an investor. We shall abide with the "i."

—R. R. R.

amounted to $17,997,207, the highest level for the end of any reporting period, the company announced in connection with a quarterly statement released to stockholders.

DELAWARE Fund in the week ended Sept. 28, 1951, reduced its holdings in petroleum stocks and added to its position in Canada Dry Ginger Ale, United Aircraft, General Foods and General American Transportation. The Fund also continued to switch from International Hydro-Electric System "A" stock to its preferred. The reductions were made in Standard Oil of Ohio, Phillips, Continental, Gulf and Richfield.

The Chairman of the Fund said the decrease in oil holdings was largely decided upon by observing the ease by which world oil production was increased to take care of the gap left by the shutting down of the Abadan refinery.

He noted that the reduction in oils left the Fund's holdings of rail stocks as the largest single industry in its list. "We believe this attitude to be justified," he said, "despite the rather languid action of the rails in the summer stock market, because we feel there are constructive factors present in the rail outlook which have not been fully evaluated in the market prices."

AN UNREALIZED investment appreciation of $900,000, gained during the fiscal year ending Aug. 31, 1951, was reported by Texas Fund in its annual report released today.

The fund had total net assets of $5,039,803 on Aug. 30, 1951, compared with $2,409,228 a year ago.

The management reported, "Early in our fiscal year we felt strongly that during a period of inflation and rising prices the regulated utility companies were less likely to fully share in a broad price advance than natural resources companies and chemicals.

"Accordingly," the fund noted, "cash was invested to a greater extent than previously in the natural gas and oil group and in the chemicals, the total holdings of which rose from 34% to 45.6% while the regulated utilities declined in portfolio holdings from 44% to 32.4%. This shift in investment emphasis proved clearly advantageous."

Only six companies were added to the fund's holdings during the past year. They were American Republics, Pure Oil, Mathieson Chemical, Robin Haas, River Brand Rice and Welex Jet Services.

Industrial growth, the fund states, continues at a high rate in the Southwest. It said defense-stimulated additions to industry are speeding up this rate, though they constitute only one of the many elements responsible for the area's prospects in 1951-52.

COMBINED net assets of the ten Keystone Custodian Funds on Aug. 31, 1951, were $214,026,300, according to the annual report of Keystone Fund K1. This compares with $215,193,200 on the corresponding date last year.

Net assets of the Income Preferred Stock Fund K1 were $37,679,804 at the close of August, amounting to $17.18 per share. This is after a special distribution of 7 cents a share from net capital gains on Aug. 15 and compares with $16.44 a share on Aug. 31 of last year, when net assets totaled $38,872,595. There were 2,192,569 shares outstanding at the close of the 1951 fiscal year and 2,364,403 shares on Aug. 31, 1950.

HARRY L. SEBEL, Midwest Vice-President of Hugh W. Long & Co., is one of an outstanding panel of lecturers who have been engaged to discuss financial planning, investments wills, and other aspects of money management at the Women's Finance Forum in St. Paul, Minn.

The lectures will be sponsored by the American National Bank of St. Paul.

Mr. Sebel will speak, Nov. 5, on "Investing in Securities and Investment Companies."

JANE K. LYONS, President of the Womens' Club of The New York Life Insurance Company, announced that, preceding the fashion show at a luncheon meeting of 1,000 members of the club, to be held at Iceland Restaurant on Oct. 6, Mr. Morris M. Townsend, former United States Treasury official, and now Executive Vice-President of Axe Securities Corporation, will speak on "How to Become a Successful Investor." Miss Nancy Dillon, of the Mutual Fund Advisory Department of W. E. Hutton & Company, will introduce Mr. Townsend.

Current Mutual Funds Literature

Headlines for 1975—The latest Parker Corporation letter projects into the future the trends of the last 25 years. The reader discovers that, as an individual he can probably do nothing to halt or retard the nation's direction, but that he can arrange his financial affairs to obtain more protection against the changes that lie ahead. For copies, write Parker Corporation, 200 Berkely Street, Boston, 16, Massachusetts.

Brevits—Vance, Sanders' regular letter explains its Cumulative Investment Program, including the compounding of dividends, and lists additional services. Available from Vance, Sanders & Company, 111 Devonshire Street, Boston, Mass.

Should a Banker Recommend Mutual Funds? An excellent 24 page booklet which discusses mutual funds from the bankers' point of view, answering the questions he is most apt to ask. Copies available from Axe Securities, 730 Fifth Avenue, New York 19, N. Y.

What Do You Want Your Dollars to Do? The current issue of Keystone's "Keynotes" discusses the three major investment purposes and indicates the principal characteristics of Keystone's 10 funds and how they can help meet the individual investor's investment objective. Copies from Keystone Company, 50 Congress Street, Boston 9, Mass.

Electronics—Its Importance to You—Television-Electronics has released an attractive folder discussing the vitality of one of America's fastest growing industries. Copies from Television-Electronics Fund, 135 South LaSalle Street, Chicago 3, Ill.

"Keeping Up," regular letter of Television-Electronics Fund, covers in its latest issue the fund's listing on the Amsterdam Exchange, sidelights on coast to coast television, the possibility of a coast-to-coast color television by next New Year's day. Copies from Television-Electronics Fund, 135 South LaSalle Street, Chicago 3, Illinois.

Ultrasonics—A New Tool for Industry. This "industry briefing" for dealers explains quite simply the bare bones and possibilities of ultrasonics. Available from Growth Companies, Inc., 725 Witherspoon Building, Philadelphia 7, Pa.

An Analysis of the Harvard Endowment Fund—The annual report of the Harvard Endowment Fund is eagerly awaited by businessmen, bankers, treasurers of funds, trustees, lawyers, who are all interested in how the Treasurer of Harvard invests the oldest and largest educational endowment fund in the country. Putnam Fund, as it has done for the past seven years, just prepared an excellent report on the Harvard Fund's investment activities during "The Year Since Korea." In the hands of investment dealers, this special Putnam report should be an excellent device for gaining an interview with a busy prospect. Putnam Fund will send a copy of the complete digest to anyone who's interested. Write The George Putnam Fund, 50 State Street, Boston, Mass.

Securities Salesman's Corner

By JOHN DUTTON

"Samson was a piker, he only killed 1,000 men with the jawbone of an ass. Every hour in the day, 10,000 sales are killed with the same weapon."

While I was waiting to see a busy executive the other day I saw the above on his office wall. Possibly some of you may have seen it before, but it hit me so hard I made a copy for myself; and although I am sure that of all people I certainly don't need such a reminder, I am going to carry it around in my little pocket notebook just for luck. I am also certain that none of the readers of this column need such a reminder. Especially those of us who have been selling for many years. Now hurry up and get out your pencil and write it down like I did—then don't tell anyone but look at it every morning just as I have been doing. We don't need any reminders on this subject. Just read it for a chuckle or two.

I don't know whether or not I am right about it, but it seems to me that the reason most salesmen talk too much is that they want to show off what they know. Possibly it is an inferiority complex that drives a man on to talk and talk, until his prospect is too bored to care any more, and just wishes that he could turn off the gas and get rid of his talkative annoyer as soon as possible. The other day a nice appearing and very pleasant young fellow was calling upon a friend of mine who owns quite a large motel apartment. My friend had written to the company to inquire about a new chemical floor cleaner that they had advertised. The salesman had the sale made three times. In fact it was in the bag as soon as he made the first demonstration. But did he stop there? No! He pulled out his book of testimonials, he told how the stuff was made, how it took soap film off the floor, how it worked for so and so, and that he had a big order pending from such and such. Every time my friend opened his mouth to say how much is it, or I'll take a gallon, he kept on. He went into the history of chemistry as it applied to detergents. The Lord knows, the salesmanager who gave him all those books to read before he sent this fellow out to sell did him no favor at all. He should have just handed him a rag and a bottle and a price list.

Finally, the motel man was able to get three words in edgewise and he said, "I'll take some!" Before the salesman was able to go into another long harangue about some of his other products the interview was firmly closed. Less talk and more questions on the part of the salesman would have made the sale, and also would have enabled him to discuss some of the other cleaning problems that needed attention. He would also have been much less irritating to his customer.

I know another salesman who knows a great deal about his line of business, which is life insurance. I asked another friend about him one day, and this was the answer, "Oh, he's one of the best posted life insurance men in town, but he isn't much of a salesman." I later found out why. He had the knowledge of his subject all right. He tried to teach it—not sell it.

People aren't interested in what you know—they are interested in what they know. Time and again I have seen men sit down and argue in a friendly social atmosphere about some controversial subject. You know what happens. No one convinces anyone else. Isn't the reason because every one is more interested in what they have to say than in listening to the other fellow? Don't we talk because we want to be noticed—or liked—or admired for our knowledge? But isn't it the other fellow who wants to be admired and liked just as we do?

I believe that if people think you know how to help them invest their money safely it will be because they are convinced that first of all, you have their interest at heart. They will discover this from your attitude, and from your ability to ask questions so that you can understand their needs and basic desires. You do this by probing, by asking questions in a friendly manner. Your knowledge will assert itself automatically in the methods you suggest for improving their investment position. Years ago I heard an old saying that many of you will also remember. It went: "The things you do speak so loud I can't hear what you say."

N. Y. Stk. Exch. Firm Admits New Partner Of Old Wall St. Family

Stephen Baker Finch, youngest of Henry L. Finch's four sons, was admitted as a general partner in the New York Stock Exchange firm of Finch, Wilson & Co., 120 Broadway, New York City, on October 1st. Young Mr. Finch comes of a line of Wall Street men which dates back to his grandfather, the late Stephen Baker, longtime president and chairman of the Board of the Bank of Manhattan, this city.

Stephen B. Finch

Stephen Baker Finch was born in New York June 9, 1923 and after attending Buckley School, this city, graduated from Phillips Andover Academy in 1940 and from Yale University, class of 1944. In World War II, Mr. Finch served as a sergeant in the 76th Infantry overseas.

The firm of Finch, Wilson & Co. was established Feb. 29, 1916, as Finch & Tarbell and besides Henry L. Finch, senior member, the partnership now includes, Louis A. Talmadge, Howard L. Valentine, and the latest addition, Stephen Baker Finch.

Grafstrom-Bennett Co.

BROOKLYN, N. Y.—R. W. Grafstrom and J. J. Bennett have formed Grastrom-Bennett & Co. with offices at 316 Flatbush Avenue to engage in the securities business.

E. L. Ragland Opens

JACKSON, Miss.—Evan L. Ragland is engaging in the securities business from offices at 1664 Laurel Street.

Stanford Secs. Corp.

CHICAGO, Ill. — Stanford Securities Corp. has been formed with offices at 141 West Jackson Boulevard to engage in the securities business. Officers are K. J. Stanford, President and E. H. Stanford, Secretary-Treasurer.

Continued from first page

Burning Down the House To Keep Warm

burden for interest charges. By artificially depressing interest rates it is possible to increase the public debt greatly without a corresponding rise of taxes for interest. And, by borrowing on these deceptive terms, to pay a substantial part of the government's expenses instead of levying taxes, government is able to pose as a great humanitarian benefactor of the people, doing many wonderful things for them at a very little cost.

The cheap money policy is a violation of the ordinary principles of business and human behavior. The citizens do not respond to an unbusinesslike proposition, although by beating the drums and waving the flag a certain amount of cheap money paper can be unloaded on them. It is possible to sell such paper by an appeal to patriotism, but we can't make it stay "sold." For example, to June 30, 1950, more than 896 million "E" bonds of the $25 denomination had been sold, and more than 605 million of them had been redeemed.

Bank Credit: Fountainhead of Inflation

Since the people will not buy and hold low-interest bonds as an investment, the one market that cannot refuse them—the banks—has to take the balance. The result is an expansion of bank credit which is the fountainhead of inflation. And inflation costs the people far more than the cost or burden of the taxes that would have been required to establish such debt as had to be issued on a sound investment basis. This can be demonstrated from the experience of the war years 1941-1946. In this period total Federal expenditures, expressed in current dollars, were $382 billion. In the same period, total interest charges were $15 billion. If there had been no inflation from 1939 onward, the total Federal spending for the same goods and services, in terms of the 1939 dollar, would have been $279 billion. Thus, the inflation cost us $103 billion over the six years. If interest rates had been high enough to induce the people to buy, out of current income and savings, such bonds as were necessary, there would have been no inflation, or at most only a little, by comparison. The total interest cost would have been more than $15 billion, but even so it would have been much less in dollars than the inflation cost. The cheap money policy seemed, at the time, to be smart politics, but it was dumb economics. It was burning the house to keep warm.

Another case is the failure, or inability, of the Congress to control the spending. Even before the Korean war began there had been a big increase in the budget from the low point of $33 billion in 1948. When the Korean incident made it evident that large defense spending was ahead, the obvious and natural step would have been to reduce nonessential spending to the bone, and to examine carefully all military and foreign-aid requests to make certain that these sections of the budget were realistic. This has not been done. On the contrary, the country has been flooded with propaganda to show that no reductions are possible and the President has accused the economizers of using "butterfly statistics." In consequence, we are to have budgets for 1953 and 1954 that will be close to the maximum spending of the last war.

Heavy Deficit Financing Ahead

It is this budget prospect for 1953 and 1954 that has provided Congress with an excuse for scuttling pay-as-we-go. The Administration has never given the idea more than luke-warm lip service. The rug has been pulled from under pay-as-we-go in face of the indisputable fact that a resumption of large scale deficit spending will mean a renewal of the inflationary movement. We know from hard experience that inflation will cost more than taxes, now and for a long time hereafter. The unwillingness to levy the taxes necessary to pay the bill and the apparent readiness to expose the people from here on to the inequities of more inflation is another case of burning down the house to keep warm.

The chief reason advanced by members of Congress for not doing an adequate job of revising and extending taxes was that this would wreck the economy. Despite our own efforts, which I admit were more feeble than they might have been, and despite the advice of the Council of Economic Advisers, the fallacy has persisted that it would wreck the economy to levy more taxes than are provided in the pending tax bills. But the damage, if any, to the economy is in the amount of our total product that government is taking for defense purposes.

This is happening, and it will happen, anyway. It cannot be evaded or postponed, for both the government and the people must be supported out of current product. If government takes a large proportion, there will be an abnormal inroad on standards of living. Whether we can really afford this inroad or not depends on what we have left to live on. If it will keep soul and body together we can afford it, *provided* the cause for which we shall have given up all else is one in which we believe strongly enough to make the sacrifice.

Two points often overlooked must be noted here. The first is that *if* the goods and services are taken, as they will be, no harm can come from taking enough of our incomes to pay for them. If the income is not taken—if government creates its own buying power by inflating credit—then the excess of money over goods will simply be used to bid up prices, and this is the evidence of inflation that is most impressive to the people. Where there is no excess of money over goods, a general price rise is most unlikely.

The second point is that we can supply government with what it needs, and also provide enough for ourselves, if we can maintain and expand production. Certainly we need not now contemplate or fear the dread spectre of a starvation diet, rags and tatters, roofless houses, and the other privations typical of the siege of Paris in 1871. Some things we must give up, but the overall effect of the defense effort on living standards will be mitigated to the extent that more goods and services are produced. And in so far as production is increased, there will be more private income and hence it will be even less burdensome to pay whatever taxes are required for pay-as-we-go than if there were no production increase as a counterbalance to the government's withdrawals.

Defects of Current Tax Bills

Now, let's take a look at what the Congress is likely to do about taxes in relation to what it should have done. The new tax law will be a compromise between the House and Senate versions. Each side has put in some things for trading purposes and we won't know how the trading has gone until we get the final draft of the bill. There are some minor good features in both House and Senate versions, but I pass over these here to deal with the major defects in both bills.

First, neither bill would provide enough revenue for the ultimate budget need. The evidence of this is in the overall budget situation. We have no authoritative current data on the total spending, but the figures I shall use are probably conservative. (Table I).

It now appears, from the best information we have, that there will be a substantial deficit by next June 30, regardless of the compromise between the House and the Senate. There will be a still larger deficit in fiscal year 1953 under either bill or any compromise between them. The spenders, military and civilian, have taken such complete control that Congress appears to have adopted the advice said to be appropriate in other cases of inevitable force—"relax and enjoy it." Some have suggested that the revenue needs of fiscal year 1953 can be taken care of in the second session of the 81st Congress which convenes next January. This would be true only if there were a demand from the people strong enough to override the unwillingness of Congress to make drastic tax increases in a general election year. A "grass-roots" revolution is not impossible, but it will take far more effort than was expended this year to control spending and to keep the budget in balance.

Condemns Reliance on Income Taxes

A second general criticism of both bills, somewhat more applicable to the House Bill than to the Senate Bill because the former was worse in this respect, is that they exemplify and emphasize the current trend toward extreme reliance on the income taxes. In the House Bill 83% of the total tax increase was on the income taxes while in the Senate Bill only 74% of the increase was on these taxes. It is little wonder that the Senate Finance Committee said, in its report on the bill, that it entertained serious doubt as to the feasibility of raising any substantial additional amounts of revenue from income tax sources over and above the amount to be raised by its bill. In other words, even this committee recognizes that we have about milked the income tax cow dry.

This realization comes very late. Extreme reliance on income taxes has been developing ever since 1913, and especially since 1939. In 1939, the income taxes produced 42% of net budget receipts, but in the original budget estimates for 1952 the proportion from income taxes is 83%. This will be raised still more under the pending tax legislation.

I will remind you of something that many of you know which is that for the first 125 years of this nation's existence there were no Federal income taxes except for a few years during and after the Civil War. During this century and a quarter the nation grew rapidly in population and wealth. All of its great basic industries, its railroad and communications systems, its national and state banking systems, and its farflung system of distribution and trade, were all established before 1913. While we have prospered since, this later growth was based upon, and made possible by the immense, solid foundation of capital, technology, managerial and labor skills, that had been so well laid before we ever taxed incomes as such.

Income Tax Fallacies

Two major fallacies underlie the current over-emphasis on income taxes. The first is the assumption that the only need, purpose, or function of income after taxes is to cover the living needs of the recipient. Hence, if one person has more income after tax than another, it is assumed that part, or even all, of this excess can and should be taxed away. This assumption disregards a major use of income which is to be saved and invested to expand the nation's capital equipment. It was by such saving and investment that the United States had become, by 1913, the greatest industrial nation in the world. We may be absolutely certain that this growth would not have accurred if there had prevailed, from 1789 to 1913, the kind of income taxation that we have had during the last 20 years.

A second fallacy is the assumption that there is both an economic and a moral wrong in the inequality of incomes, which leads to the conclusion that this wrong must be corrected by the leveling process of excessive taxation of the middle and higher incomes.

The Communists, to whom may be traced the initial insistence upon this kind of taxation, intended it as a means of destroying private capitalism. Today, many dreamy idealists who are not Communists, believe in graduated taxation. They are annoyed, or sympathetically disturbed, by the inequality of incomes. Their remedy, which is heavily graduated taxes on incomes and inheritances, would correct the difficulty by an eventual leveling down of all incomes to some dead mediocrity. The leveling process would accomplish the Marxian objective of liquidating the sytem of private capitalism and the last state of even those with the low incomes would be much worse than the first. It is another case of burning down the house to keep warm. England has been living on this kind of fuel for some time, but it is about gone now. Her Socialist leaders boast of the small number of large incomes still remaining, but the naked facts, which they have no way of concealing from the people, are that there are serious shortages of goods, drastic rationing for virtually all consumption, heavy taxes on the low incomes, and a general substitution of despair for hope.

Income Equality Impossible

Complete equality of incomes is neither possible nor desirable, for the Good Lord has not endowed all of us with equal talents and capacities. Less inequality than now exists is both desirable and possible, but only if our effort is concentrated on raising the lower incomes rather than on destroying the larger incomes. Rest assured that such destruction is not the way to raise the low incomes. Through better education and training, and by environmental improvements, we can increase the capacity of those with limited talents. Even these persons can earn more by producing more, and they can produce more if they have more and better tools at their disposal. Therefore, capital formation is a fundamental in the improvement of the income capital formation is a fundamental in the improvement of the income and the lot of those now in the low income groups. Yet the kind of taxation which Marx proposed and which many after him have unwittingly endorsed is aimed at capital formation and at the ownership of capital by those most competent to use and manage it in production, namely, the private citizens of the country rather than the government.

A third criticism of both tax bills is corollary to what I have already said. They have in large degree neglected the field of the consumption taxes. Remember that for a long time the Federal Government paid its expenses and paid off a large part of its debt out of revenues derived very largely from consumption taxes, including the customs and the internal excises. There was no tax penalty on savings, and the people were able to put aside and plow back enough of their current income to create the great prosperous economy of private capitalism which is now the object of attack by Communists, Socialists, fellow travelers, and the misguided idealists who support the present destructive taxes on savings.

Adverse Effect of Present Tax System

Let us turn now to the specific tax situation before us in order to see more clearly why we must reverse the current emphasis upon income taxes and seek a greater part of the necessary Federal revenue from consumption taxes.

The corporation tax. Total taxable corporation profits in 1951 are estimated now at $46,256 million. The Federal tax on this income under present law is estimated at $23,685 million. If we assume state taxes on corporation income to be $900 million this year, the total tax load on corporation income will be $24,586 million. The Senate Bill would increase this by another $2 billion in a full year of operation, but only $870 million to June 30, 1952. The House Bill was still more severe, but if we assume that the Senate prevails as to the corporation tax, the total tax on this year's income will be $25.5 billion. Next year it will be $26.6 billion on the same income. Thus there would remain, after taxes, $20.8 billion this year and $19.7 billion next year.

There are two uses of corporate income after taxes—dividends and "plow-back." If dividends were to be no more than 4% of national income, about $11 billion would be paid out this year. Actually, dividends should be 5% or more of national income to maintain the historical trend. Even on the 4% basis, however, there would not be enough income left after

TABLE I

	Fiscal Year 1952	Fiscal Year 1953
	Billion	
President's original budget	$71.6	‡$85
Estimated reductions	$3.2	§$4.3
Transfer of $3 billion from 1953 to 1952 (indicated by C. E. Wilson)	+$3.0	—$3.0
Budget expenditures	$68.4	$80.7
Probable expenditures	$71.4	$77.7
*Anticipated revenue, present law	$58.5-$60.9	$58.5-$60.9
Deficit under persent law	$12.9-$10.5	$19.2-$16.8
†Yield of House Bill	$4.9	$7.2
Yield of Senate Bill	$2.7	$5.5
Deficit under House Bill	$8.0- $5.6	$12 - $9.6
Deficit under Senate Bill	$10.2- $7.8	$13.7-$11.3

*The low figure is a Treasury estimate; the high figure is the estimate of the staff of the Joint Committee on Internal Revenue Taxation.

†The passage of time has invalidated the House estimates of 1952 yield under its Bill. These were predicated on effective dates that are not now feasible in all cases.

‡Estimated probable budget, according to Assistant Director of the Budget Wm. Stants.

§Assumes a 5% reduction by Congress in cverall budget.

dividends to meet the recent rate of corporate reinvestment, which has been around $12 billion annually.

And we must keep in mind that inflation has undermined the purchasing power of the corporate dollar just as it has that of the defense dollar and the civilian consumption dollar. Businesss should have more rather than less of these depreciated dollars if its capital equipment is to be maintained and expanded. I said earlier that the way to protect our standard of living and to improve the earning potential of our less talented fellow citizens while letting government take more of the total product is to expand production. But this cannot be done unless business is permitted to keep enough income for the purpose. The Senate Finance Committee said in its report that if the high rates in its bill were kept for an indefinite period "expansion of productive facilities may be seriously impaired." It therefore set a termination date of Dec. 31, 1953, but this does not bind a future Congress against extension of the date or increase of the tax.

Our own NAM conclusion regarding the corporation income tax, based on firm conviction rather than on the conjectural view of the Senate Finance Committee, is that a tax load materially in excess of half of total profits will seriously damage our productive capacity. This will not happen in one year or in two years, for we have a lot of plant and machinery that can be operated till it falls apart. It will happen, in time, unless business is allowed to retain enough of its income, and unless the individual tax rates are such as to enable and encourage individuals to supply capital funds to supplement the retained earnings.

The individual income tax. The House Bill provided a straight 12½% increase in everybody's tax. The Senate Bill gives an option—an 11% increase of tax, or 8% of the taxable income remaining after tax, whichever is lower. The first option gives a lesser increase of tax for the low and middle incomes, the second option is more advantageous for the higher incomes. The division point is at about $27,000 of taxable income. The report of the Senate Committee contains this choice bit: "In the view of your Committee, the marginal rate of about 70% provided on surtax net income of $28,000 under the House Bill will seriously impair the incentives of the taxpayers in this bracket to work and to invest. Under your Committee's bill, the marginal rate at $28,000 is 67%." What marvelous hair-splitting!

Source of Proposed Tax Increases

I have made a rough distribution of the tax between the taxable income below and above $10,000. Approximately $1 billion of the Senate increase will come out of the taxable incomes above $10,000. We have learned, from Treasury data, that if there were a tax rate of 100% on all taxable income of $10,000 and above, the additional revenue would be about $3.5 billion. And this could be collected only once. The Senate Bill will take another billion, so there would be left only $2.5 billion more to be skinned out of the $10,000-and-over taxable incomes after this bill becomes law. This emphasizes the fact that any further effort to secure a very substantial tax increase from individual incomes must involve increases on the low and lower middle incomes because there just is not enough left in the higher incomes even if all were taken.

At various places in its report the Senate Committee expressed doubt as to the possibility of getting much more revenue from the income taxes. We have long foreseen this, and we have stressed the risk of grave damage to the economy if the pressure on the income taxes should be intensified. The Finance Committee report may be construed as a hint that some other tax method must be used henceforth. Our regret is that the Committee lacked what it took to be forthright and direct about other tax methods, for it would obviously lead to our recommendation as to the best, easiest and least painful of devices for expanding the revenue, which is a broadly based consumption tax.

Excise or Consumption taxes. Parallel with the increasing emphasis on the income taxes has gone a decline of the popularity of the excise or consumption taxes. This is true, not only of the relative revenue importance, but also of the general attitude. Some persons and groups have gone so far as to say that there should be no excise taxes at all. I take the exactly opposite position, which is that there should be much greater reliance than at present on such taxes, with correspondingly less reliance on the income taxes. My reasons are as follows:

Personal Income Now Tax Free

(1) There is an immense amount of personal income that is not levied upon at all by the kind of income tax we now have. Here are the estimates for the calendar year 1951 based on the annual rates for the first six months:

	Billion
Total personal income	$247.1
Disposable personal income (i.e., personal income less tax and nontax liabilities)	220.1
Personal consumption expenditures	205.9
*Taxable income in income tax returns	96.1

*Estimated by Secretary of the Treasury Snyder in a statement to the Senate Finance Committee on June 28, 1951.

From these estimates we see that the income tax is levied on only about 44% of total disposable income. The only way to expand the income tax base would be to lower the personal exemptions and deny some of the deductions such as charitable gifts and others. This would magnify administrative difficulties and costs for all employers and for the Treasury.

(2) The consumption taxes are much more stable and dependable in yield than the income taxes. The reason is that income, particularly business profits, varies much more with changes in business conditions than does the consumption expenditure of the people. For example, the brief, mild business decline in 1949 caused a drop of almost 20% in corporation profits below 1948. Corporation taxes in 1949 fell off by $2.4 billion, or almost 20%. On the other hand, there was no decline of excise tax yield from 1948 to 1949.

(3) The consumption taxes do not fall upon savings. They are paid only as income is spent. Every individual has, within limits, an option to spend and pay the tax or to save and pay no tax. As I have said above, both of the income taxes fall at very heavy rates on savings.

Arguments Against Consumption Taxes

The arguments usually advanced against consumption taxes are easily disposed of. One argument is that these taxes are regressive, by which it is meant that a given amount of tax is a larger proportion of a small than of a large income. Whether the article bought is a can of beer, a lipstick, an electric refrigerator, or an automobile, the tax will be a larger part of a $3,000 income than it would be of a $10,000 income.

But this is true, also, of the price of any of these articles. Our whole price system has always involved taking a greater part of a small than of a large income in every purchase that is made. There is no other way to operate a market. No one has ever proposed a different way except the Communists. The whole modern world, and this country in particular, has prospered under the price system. At most an excise tax would be only a small part of the whole amount paid. Those who object to excise taxes on this ground should read again the parable of the mote and the beam.

It is also argued by some that excise taxes are hidden, and therefore bad. But many other taxes are hidden in the same sense, notably business taxes of every description. In fact, the only taxes that are really out in the open are the individual income taxes and the retail sales taxes. Surely none who use the hidden tax argument are so naive as to suppose that the entire cost of Federal, state, and local governments could or should be met by these two taxes alone.

My approval of excise taxes does not extend, however, to the present conglomeration of Federal excises. They were never designed as a system. They are selective without logical basis, discriminatory among both producers and consumers, erratic as to the rates applied. Neither the House nor the Senate has done anything, this time, to correct these fundamental defects. Except for the liquor and tobacco taxes which have always been set apart for distinctive treatment and should so continue, I would recommend that the entire Federal excise structure be swept away and replaced by a broadly based, comprehensive consumption tax levied at a uniform rate.

Various Congressional leaders have said, publicly or privately, that it will be necessary to enter the consumtion tax field if we are to get substantially larger revenues than at present. Yet, thus far, these gentlemen have ducked the broad consumption tax. There is a certain ironic amusement in tracing their course if they do go at the job the hard way. While it might make them very unpopular, they might begin with the ladies. Lipstick is taxed, stockings are not. Fur coats are taxed, cloth coats are not. Handbags are taxed, the gloves worn on the hands that carry the handbag are not. So they might proceed by naming other articles of clothing to be added to the taxable list. The kitchen is hit harder than the living room. The electric refrigerator, the washing machine, the disposal unit, the deep freeze, the gas or electric stove, are all taxed.

In the living room, the radio, the light bulbs, and the television set are taxed, but the davenport and chairs on which people sit while watching television or listening to radio are not taxed. And so they might proceed to equalize the taxes in the living room by naming the chairs, tables, settees, drapes, and rugs as taxable articles. Carry this process through and by the piecemeal method of naming the additional articles to be taxed there would eventually be a list a hundred pages long. But in the end they would wind up by naming virtually everything if they really intended to get the revenue. How much more simple my proposal would be — just say in one sentence that all consumer goods shall be taxed unless expressly exempted, and then go on to exempt foods and food products.

The principal policy issue raised by a broad consumption tax is that of the point of levy of the tax. The choice lies between a Federal retail sales tax and a tax imposed at some other point. The most feasible other point is the final stage of manufacture, hence in the NAM tax program we have called this broad consumption tax a manufacturer's excise. This is not a new term for we now have some two dozen instances of such a tax among the Federal excises.

NAM's Views on Consumption Taxes

Each type has its supporters and its opponents, and each side has made its points for the one, and against the other, kind of tax. During the three years or thereabouts that this subject has been under active consideration in the NAM taxation committee and the Board of Directors, all of the pros and cons have been fully explored and thoroughly considered. Both the committee and the Board have concluded that, on balance, the tax at the final stage of manufacture, or the manufacturers' excise, is to be preferred. In adopting this position it was agreed that foods and food products should not be subject to the tax and that alcoholic beverages and tobacco should continue to be taxed separately as at present. It was also agreed that for the duration of the defense emergency certain services, such as telephone, telegraph, admissions, transportation of persons, club dues and initiation fees, and safety box rentals should be taxed at the same rate as would be levied on goods under the new uniform tax.

Briefly, the reasons that led to this conclusion were as follows:

(1) The retail sales tax has become a special prerogative of the states, and a major source of revenue where it is used. The 31 states that now collect sales tax derive at least 35% of total state revenue from it. In some states it provides more than 50% of total state tax receipts. Federal invasion of the retail tax field would be an encroachment upon a lucrative state tax resource which should be left to them. It would be sheer folly to impair state revenues so that more Federal aid were necessary. This has already happened to too great degree. Unless the states can support themselves out of their own tax revenues they will in time cease to be sovereign members of a commonwealth and decline to the dependent status of provinces. Socialism or communism will never happen at the state level. It will come, if at all, at the national level. A powerful bulwark against national socialism is the preservation of the sovereignty of the states, and adequate, independent sources of their own revenue are essential to that preservation.

(2) Administration of the manufacturers' excise tax will be much more simple and far less costly than the retail sales tax. There are more than 3,000,000 retail outlets in the United States, ranging in size from the huge department stores to little "hole in the wall" operators. Both the birth rate and the death rate of retail establishments are high. It would require a horde of Treasury agents covering the land like locusts, to keep the register of active firms up to date and check up on the tax due. In contrast, there are probably not more than 200,000 final manufacturers, aside from producers of foods and food products, thus involving much less manpower and expense in collection and audit.

(3) The present Federal excises include more than 20 classes of goods that are taxed at the point of final manufacture. The administration procedures are already established, they are familiar to the Treasury representatives and to a considerable segment of the business community. Hence, extension of these procedures would be relatively simple.

We propose that duplication, or pyramiding, of the tax be avoided by collecting the tax only once at the final stage of manufacture. Sales of raw materials and partly fabricated products would not be taxable if made to other manufacturers as they normally would be. The present method of control through exemption certificates or the parallel system of licenses used in Canada, would assure that no tax would be imposed while the goods were in process of manufacture.

(4) There is more likelihood that the manufacturers' excise tax would continue as a permanent feature of Federal taxation. I have already given the reasons for building a substantial contribution from excises into the Federal tax structure. To build permanently we must build soundly. A uniform rate of tax on all end products of manufacture other than foods, liquors, and tobacco would be a sound tax for it would be free of discriminations and inequalities. It would be a productive tax. It would be a means of lessening the burden of tax on the receipt of income. It would promote the attainment of both high level production and consumption. It would help prevent inflation by supplying revenue and thereby making resort to deficit financing unnecessary.

The excise taxes are the Unexplored Continent of Federal taxation. We should explore this continent and make use of its resources, instead of slavishly cultivating the tax fields that are already cropped bare and thin.

Conclusion

In closing, one contention that is certain to be advanced against a general consumption tax must be dealt with. It is that such a tax is "loaded" against the low income groups.

The bulk of the revenue from a consumption tax will probably come from the low and middle incomes, for that is where the great part of the income is and where the great part of total consumption occurs. In 1951, it is estimated, the people will spend at least $200 billions for consumer goods and services. Obviously, only a small part of this total will be spent by the relatively few persons with sizable incomes.

But the kind of consumption tax that I have proposed will not burden unduly any particular small income. We recommend exemption of foods and food products. Rent, being a service, is automatically excluded as are other services. All of the studies of consumer spending that have been made indicate that only about a third of total income, even in the income groups up to $7,500, would be spent for goods subject to the uniform excise.

Furthermore, this tax does not fall on savings, as does the income tax. On the contrary, consumption taxes confer a positive benefit on those who, regardless of the amount of income, elect to save rather than spend.

Inflation is "loaded" against the small income groups, too, for those with small incomes cannot even engage in such "hedging" operations as the economic witch doctors may prescribe. These little income folks have to meet inflation head on. What we all must recognize is that no one can be completely and permanently protected against inflation. We have a clear, simple choice, that of paying by taxation or by inflation. The burden of a consumption tax is determined by the rate. This burden is measurable and controllable. The toll exacted by inflation is neither measurable nor controllable. It is no kindness, but a terrible unkindness, to those with small incomes, to burn the house to keep warm by refusing the support that a broadly based excise tax system would give to the Federal finances on the ground that everybody would have to pay a part of this tax.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Years ago Mark Twain wrote, "Everybody's talking about the weather but nobody's doing anything about it." At least I've read somewhere that he wrote it. Today everybody's talking about inflation . . . . you fill in the rest.

* * *

The trouble is that everybody's got a definition of this inflation and what to do about it. The OPS says: "Inflation is the uncontrolled rise of prices that happens when the people have more money to spend than there are things to buy." It then gives a few examples and concludes that ". . . the dangers of inflation can be controlled."

* * *

From where I sit the "controls" have been only verbal chiefly because there's a feeling in higher government echelons that a little bit of inflation isn't a bad thing. Such reasoning is on par with the one that a little bit of pregnancy isn't alarming. About the only cure the Administration has come up with to check or control inflation is to increase taxes. It doesn't take any great research ability to figure out how much more our armament program has cost us between the onset of the Korean crisis and today. If there was any intent to control prices it was muffed badly by an Administration that's more concerned with protecting "friends" than in doing anything to protect the economy. There's continued pressure on the public to buy U. S. Government bonds. But one can't help but be apprehensive about the kind of dollar that will be used to pay off these bonds.

* * *

The question for a trader and investor is what to do to protect oneself in the clinches. The examples seen in Germany after World War I and in postwar France are not applicable. These countries were debtor nation; we are today the world's largest creditor nation.

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There are two mediums available today: real estate and common stocks. But it's no secret that real estate values have mounted tremendously and there's no assurance of safety in common stocks. In both cases the element of timing is very important.

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I won't talk about real estate because I'm not qualified. But common stocks are something else. The stock lists are full of issues that yield incomes considerably in excess of bank or government bond interest. But safety is another thing. A 10% yield pales into insignificance if the equity dwindles. And that possibility is always present in any common stock purchase.

* * *

The ideal is to sell out common stocks before a reaction and buy back before a rally. But recognizing the ideal and attaining it is something completely different. I realize this hasn't been much help to worried readers. I wish I knew the answers. All I can do is point out the pitfalls.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Staats Co. to Be NY Exch. Members

LOS ANGELES, Cal.—As of Oct. 15 William R. Staats & Co. will be formed. The firm will be members of the New York Stock Exchange. Partners will be Donald Royce, George Hepburn, member of the New York Exchange; J. Earle Jardine, Jr., Edward C. Henshaw, Richard W. Millar, Harry B. Brooks, Paul V. Barnes, William S. Patterson, John E. Jardine, J. Lester Erickson, Allen B. Beaumont, Chester M. Glass, Jr., John F. Kelsey, John S. Staats, John E. Cameron, and Marvin M. Roberts.

Continued from page 3

Development in Chemicals And the Drug Industries

know the final form of the tax law any estimates as to earnings for individual companies or for the chemical industry as a whole are quite hazardous, however.

While business is currently very good in the chemical industry generally, it has not been quite as good in July and August and so far in September as it was in the first half of the year. This is a result of lower levels of production in some important chemical consuming industries such as textiles and perhaps in part reflects some overbuying of chemical products last year and in the first part of 1951. At the moment there is evidence of a pickup in demand for chemical products and a firming in prices of the more sensitive chemical commodities.

It is rather difficult to generalize about supply and demand conditions for the chemical industry. Recently, the National Production Authority reexamined the availability of various chemical products and classified principal chemicals in very short supply, situation. In Class I, they listed chemicals in very short supply including such items as chlorine, hydrogen peroxide, naphthalene, phenol, phthalic anhydride, polyethylene resins, resorcinol, sulfur and sulfuric acid and a number of other products. In Class II, which includes materials in approximate balance with demand, they list acetylene, ammonia, benzene, cellophane, ethylene glycol, formaldehyde, glycerin, methanol, oxygene, phosphorous, toluene and a number of other chemicals. In Group III, which are materials in fair to good supply, are acetic acid, caustic soda, cellulose acetate, ethyl alcohol, polystyrene, rosin, soda ash, and a number of other basic chemicals.

There is little doubt, however, that the supply-demand position of the chemical industry is generally quite favorable. So far, the impact of the rearmament program on the chemical industry has been relatively slight. As production of weapons and other war materials increases some of the products in Groups II and III, which are in fair to easy supply, are likely to move up into Group I. On the other hand, as new capacity comes into production shortages of some items may be relieved.

Before going on to the longer term outlook for the chemical industry it might pay to review briefly the recent trend in sales and earnings. Nineteen fifty was a very good year for the chemical industry. Sales were about 26% above the level of 1949, pre-tax earnings gained 72% and earnings after taxes gained about 40%. This year sales for the chemical industry may increase nearly 20% compared with 1950 and pre-tax earnings should gain by about the same amount or perhaps slightly more. On the basis of the present tax law I have been estimating that earnings after taxes would hold about level or at most be down a few percent. However, in view of the fact that it now seems nearly certain that we will have a fairly substantial increase in corporate taxes effective against at least the last half of this year and perhaps earlier, earnings for the chemical industry promise to run something on the order of 10%, perhaps as much as 20%, below the 1950 results.

Outlook for 1952

I think it may be worthwhile to spend a few minutes at this point in discussing the outlook for 1952. I don't pretend that I have a crystal ball that will tell me what the level of general business activity may be, what new regulations may come out of Washington, what Mr. Stalin will do next, whether or not we are going to have another new tax law next year, or anything else. A pattern does seem to be developing in the chemical industry and this is about the way it looks to me.

Sales in 1952 should be up somewhat further reflecting new plant capacity now being built. The gain in sales will, however, probably be smaller than the 20% for 1951 or the 26% for 1950. On a preliminary basis it would look like a gain of about 10%. I would expect that pre-tax profit margins would hold approximately steady and that pre-tax earnings would improve by about the same percentage as sales. This assumes no deterioration in general business and, of course, a lot of other things. Most particularly it assumes that chemical managements will be able to offset the higher costs of wages, raw materials and similar items by somewhat higher prices and through manufacturing efficiencies resulting from the steady improvement in technological know-how.

As far as profits after taxes are concerned I would guess that they would fall somewhere in between the level of 1951 and the peak results achieved in 1950. This is based on the assumption that there will not be a new tax law in 1952 and that the 1951 law will be about as proposed by the Senate Committee and retroactive to April 1 but not to Jan. 1.

Even if this general pattern proves correct over the next year or two the results for the individual companies in the chemical industry will, in a number of cases, vary quite widely from the average as the individual chemical companies differ materially from one another in the kinds of products produced, the processes used and in other respects.

At a meeting of security analysts in Boston in June, I talked on the outlook of the chemical industry and devoted sometime to discussing the broadening scope of the chemical industry. New markets are available to the chemical industry in synthetic textiles, detergents, rubber, plastics and in a number of other directions. I also emphasized the fact that many of these same industries are getting more and more into the chemical industry and that the dividing line between the chemical industry and other process industries is no longer clearly drawn. I will not repeat these remarks here today as this talk was published in the third quarter issue of the "Analysts Journal" and is available to any of you who may be interested. I consider this trend of major importance, however.

Long-Term Outlook

A brief examination of the petrochemical industry, a relatively new and rapidly growing segment of the chemical industry, may be helpful at this point. Many of our leading chemical companies and oil companies are busily engaged in carving out a position in this field.

Last year almost seven billion pounds of organic chemicals were produced from natural gas or petroleum raw materials. These products had a value of nearly $2 billion. This is approximately six times the quantity and value of petrochemical products produced in 1940. Today petrochemicals account for close to one-quarter of our entire chemical industry output. The petrochemical industry, with some exceptions, uses only a relatively small fraction of the natural gas components, that is, primarily butane, ethane and propane which normally amounts to less than 10% of the gas by volume. Natural gas is, of course, mostly methane which is used primarily as a fuel. Processes have been developed and new plants are being built to partially oxidize methane into acetylene. Acetylene is a valuable and versatile chemical raw material from which can be made vinyl compounds, acetaldehyde and many chlorinated hydrocarbons, now primarily derived from ethylene and, of course, acrylonitrile which is the basis for many of our new wool-like synthetic textiles.

Until recently most of our aromatic chemicals, such as benzol, have been produced as a by-product of the manufacture of coke. Now, however, capacity to produce some 90 to 100 million gallons of benzene and substantially larger quantities of toluene are being built. These products will go into plastics, synthetic rubber, latices for paints and varnishes and into many other items. Xylene also produced as a co-product with benzene and toluene will go into phtalic anhydride, du Pont's new textile fiber, Dacron, and similar products.

A number of new petrochemicals derived from liquid fractions of petroleum are in various stages of development and production. These include iso-octyl alcohol made by the Oxo Process which is used in plasticizers, lube oil additives and other products, as well as in napalm which has proved so effective in the Korean fighting.

The outlook for the petrochemical industry is very bright. I recently saw an estimate, made by one of the authorities in the petrochemical field, that over the next ten years the value of petrochemicals produced in the United States will grow from the present level of about $2 billion annually to $7 billion annually.

In any long range prediction of this type there are three basic assumptions which, while they may not be expressed, are implicit in the reasoning process. These assumptions are: (1) No all-out war with accompanying destruction of physical facilities. (2) No serious depression. (3) A reasonably favorable political environment for business. Using these same assumptions I have compared other segments of the chemical industry with the petrochemical in an effort to arrive at some overall conclusions as to the growth of the chemical industry as a whole over the next ten years. Without going into the fairly complex reasoning involved I came to the conclusion that if the petrochemical industry can grow to three and a half times its present level by 1960 the chemical industry as a whole ought to be able to grow by a factor of two and a half times.

To determine the reasonableness of this estimate I studied the past growth records of a number of leading chemical companies and projected these growth trends into the future. A growth in sales for the industry to two and a half times the present level in ten years is an increase in sales volume of 150% during that period which is a rate of about 10% per year compounded annually. Many of the companies in the chemical industry have over a long period of years grown at a much more rapid rate than this and to date there is no sign of a let-down in the long-term growth trend.

Before proceeding further in the discussion of the outlook of the chemical industry it is probably worthwhile to document briefly some of the basic conditions for the fast historical growth of the chemical industry and see if those reasons are still valid and appear likely to persist well into the future.

Research

The National Research Council periodically prepares a directory of the industrial research and de-

velopment laboratories in the United States. Figures compiled in the first part of 1950 listing the number of scientists and engineers in research in various industries show that the chemical industry employs by far the largest number of technically trained personnel in research, numbering about 16,000. Next in importance is the communications industry with moderately under 10,000, followed by the petroleum and coal products industry with slightly over 6,000.

The break down of the 16,000 professionally trained personnel engaged in chemical research shows about 9,400 chemists, 3,500 engineers, 880 biologists, 216 physicists, over 100 metallurgists and a substantial additional number in other classifications. In addition to the professionally trained research personnel there are nearly 17,000 additional supporting personnel, making a total of some 33,000 employed in the research laboratories of the chemical industry.

Expenditures on research by the chemical industry have been growing steadily and I would estimate that the industry spent about $250 million on research last year. DuPont alone spent about $38 million.

In addition to the direct research activities of the chemical industry, there are large scale research activities conducted by colleges and universities and by various government agencies. For example, the Atomic Energy Commission is undoubtedly now one of the major employers of chemists, physicists, mathematicians and engineers. There is close liaison between the industrial, educational and governmental laboratories and a wide exchange of information, subject, of course, to national security requirements.

The problem today is that there are not enough trained men coming out of the colleges and universities and that the draft regulations apparently do not fully take into account the necessity of a steady and increasing flow of technically trained men for industry. Industrial, educational and governmental leaders, however, seem to be aware of this problem. The necessity of keeping technologically ahead of potential enemies is very much in the forefront of present planning.

There is no evidence as yet of any slowing down in the rate of new product development, process research or general inventiveness of the chemical industry. If anything, it seems to be accelerating.

Markets

Chemicals go into everything we use or consume. For some time I have been trying to find some purchased product or service that does not contain chemicals or use chemicals at some point. I have not been able to find a single one.

The chemical industry serves all industries. While the dollar value of chemical sales to various individual industries has not been reliably reported, it is probably safe to say that the bulk of chemicals go into consumer goods items such as food, clothing, medicines, paints, paper, petroleum products, soap, etc. Substantial amounts go into consumer durable goods. Relatively smaller amounts go into capital goods such as machinery, equipment, etc. Because the chemical industry serves all other industries it is necessarily sensitive to changes in the level of business activity. I would be inclined to class the chemical industry as somewhat more sensitive to swings in business than the average of the consumers goods industries, but considerably less sensitive than consumers durable goods industries such as household equipment, automobiles and, of course, much less sensitive than capital goods.

The areas of maximum growth for the chemical industry would appear to be in the new synthetic textiles, in plastics and synthetic resins and in drugs and medicines. Other rapidly growing markets are in agricultural chemicals such as herbicides, fungicides, and, of course, fertilizers. The metallurgical and mining industries are taking increasing tonnages of chemicals both in smelting and refining processes and also in beneficiation of ores. Building materials producers are increasingly alert to the opportunities of improving their products and developing new products through the increased use of chemicals. The pulp and paper industry is making rapid strides in these same directions.

All in all it appears as if the markets for chemical products are growing at a very rapid rate and that consuming industries and the ultimate consumer will be receptive to the new inventions and developments of the chemical industry.

Financial Considerations

The construction of chemical plants costs a great deal of money and if the chemical industry is to increase its sales over the next ten years at a rate of about 10% annually, it will also have to increase its investment in plants by about that same rate or even higher. In my talk in June I discussed the question of plant costs in some detail and some of you may care to refer to those remarks.

Traditionally the chemical industry has expanded to a large degree out of retained earnings. If taxes go up to a 70% maximum rate the amount of earnings that can be retained in the business will be diminished and also the incentive to take the risk that is involved in plant expansion will be necessarily reduced.

Accelerated amortization provisions are, however, a partial offset, not because they permit the avoidance of taxes, which they definitely do not, but because they permit the more rapid recovery of capital which can be used over again for further expansion. I might venture to make this prediction which I know reflects the thinking of many top executives in the chemical industry. Unless emergency amortization grants are relatively liberal the chemical industry will eventually be compelled to slow down its program of plant construction. Furthermore, if tax rates go much higher than the 70% maximum rate, and in my opinion that rate is high, it would very definitely reduce the future growth of the industry and of our economy in general.

As you all know a good many chemical and drug companies have come into the capital markets recently and others are planning offerings in the near future. Fortunately the capital markets are receptive at the present time for issues with a chemical flavor. Also the credit of the chemical industry is excellent and the larger companies especially are able to obtain long-term loans on favorable terms.

Raw Materials

For the most part the basic raw materials of the chemical industry are plentiful. Such things as salt brine, natural gas, coal and air are available at moderate costs or no cost in almost unlimited quantities. Some other raw materials notably sulfur and various minerals are, however, not in good supply position.

For the most part the chemical industry is well integrated and controls its own basic raw material supplies. While the industry faces all sorts of bottlenecks I would anticipate no serious difficulties for the industry in obtaining all the raw materials it needs. The chemical industry is especially capable in developing new processes and new sources of raw material to solve such difficulties as they arise. This flexibility is an important element of strength and one of the reasons why the industry's growth has been so persistent.

One of the most severe current shortages is electrical energy. Several chemical companies have had to curtail operations in the Northwest because of the tight hydro electric power situations. Many large companies control their own power facilities and this is often an important factor in the study of the individual companies.

The Drug Industry

So far these remarks have been devoted primarily to the discussion of the current development and prospects for the chemical industry. In general these remarks apply equally to the drug industry with some important differences, however.

Ethical drug companies are usually able to develop a much higher amount of sales for a given investment in plant than the chemical industry. This results from the fact that the drug companies are usually not as well integrated and buy their raw materials from the chemical industry or from other industries rather than producing these basic materials themselves. The degree of integration in the drug industry varies quite a bit between individual companies, however. Also, drug products sell on an ounce or pound basis rather than on a 100 pounds or a ton basis as with most chemicals.

Product obsolescence is much more rapid in the drug industry than in the chemical industry. The demand for a basic chemical may continue to grow for decade after decade but in the drug field products are frequently superseded by better drugs in a relatively few years. This does not mean that the demand for a drug product will completely disappear but it does mean that an unprogressive research department will result in a more rapid deterioration of competitive position for a drug company than it will for a chemical company.

Some drug companies possess fairly substantial tax advantages resulting from the size of the foreign sales. While a typical chemical company will sell only 5% to 10% of its output abroad the typical drug company will sell from 20% to 40% abroad. Western Hemisphere subsidiaries have substantial tax advantages in that the earnings are not subject to excess profits taxes or to surtax, merely to the normal tax rate of 25%. Some companies, notably Parke, Davis, have a substantial part of their sales volume in Western Hemisphere subsidiaries. Accordingly, I would estimate that the tax liability of the drug industry will be a smaller percentage of their pre-tax earnings than for the chemical industry. This will not be true equally for all companies, however.

It is more difficult to apply statistical methods to forecasting the outlook for the drug industry than it is for the chemical industry. A new product like Cortisone or the newer anti-biotics which can quickly command large markets is not developed every day. It would seem, however, that there is accelerating productivity in drug research and as the industry grows in size new drug developments may come along more rapidly but may have a smaller impact expressed as a percentage of the sales of the industry as a whole.

Outlook for Chemical and Drug Stocks

Over the last several years the chemical and drug stocks have been among the leaders in the market advance. Institutional interest in the group has continued high and in spite of relatively low yields chemical and drug stocks have seemed natural holdings for the conservative long-term investors.

The proposed new tax bill has, however, more recently dimmed the enthusiasm of investors somewhat and in the last month or so there has been a tendency towards consolidation rather than a continuation of the market advance.

Over the last five years the chemical group, as measured by the Standard Group Index, has done about 75% better than the market as a whole but many investors remember the period from 1941 through 1945 when due to high taxes and other wartime dislocations, the chemical group lagged rather substantially behind the market. Some may fear a repetition of this over the next several years. I believe that while taxes will be burdensome the impact of the rearmament program will be much less severe on the chemical and drug industry than it was during World War II. One important difference is that during the last war perhaps 50% of the industry's efforts were devoted to war materials while in the present rearmament program, as now projected, it looks like about 20% of the industry's output will go into military uses. Accordingly, the dislocation of the industry's normal commercial business should be less severe.

I am going to anticipate one question that I believe a number of you may have in mind, and that is, "Is the chemical industry going to overexpand to a serious degree?" The answer to this question can not be entirely clearcut. Let's take the 50% expansion in chlorine, for example, with a concomitant substantial increase in caustic soda capacity. I believe that the long-term growth in the demand for chlorinated hydrocarbons, insecticides and other products using chlorine will absorb the new chlorine output fairly easily. On the other hand, caustic soda has been in substantial oversupply as recently as 1949 and with any turn down in general business would undoubtedly be in oversupply again. The chemical industry does not normally operate at capacity. Usually the industry operates at a level of 80% to 90% of capacity rather than all-out the way it has been recently. Also, breakeven points for the chemical industry are low, perhaps for a well integrated company about 50% of capacity.

If the demand for chemicals turns down due to a decline in general business there will be some overcapacity in a number of lines. The industry is, however, able to quickly adjust its production rates to consumer requirements and the rapid long-term growth in demand for chemical products usually absorbs the excess capacity fairly quickly. The record of the industry during the periods of low business activity is remarkably good and an upturn in demand for chemicals generally precedes upturns in general business.

If at some future date business turns down rather sharply there would undoubtedly be a strong pressure to reduce corporate income tax rates. The reduction in sales-to-plant ratios to normal historical levels and also the reduction in profit margins to the average of recent years would be fully offset in terms of net earnings after taxes for many a chemical company by a reduction in the corporate tax rate to about 50%.

Chemical and drug stocks over the last year or so have returned to the fairly high price-earnings ratio that characterized the group before the last war. In other words, investors are once again willing to pay something extra for the attractive long-term growth prospects. When the growth actually does occur, as anticipated, these relatively high price-earnings ratios are justified and the investor profits, but there have been a number of cases where investors have paid a high price in anticipation of further growth and the growth for one reason or another has not occurred. In such instances the loss to investors has been substantial. Accordingly, I believe that in selecting individual chemical or drug stocks emphasis should be placed on the reliability of the anticipated growth. There are some companies that on the basis of their past records, their managements, their research, the types of products they produce and their competitive position seem more certain to enjoy a favorable future growth in sales and earnings than others. In other words, at this stage in our economy and the market it might be prudent to concentrate on those chemical and drug stocks where the long-term growth trends seem most clearly defined.

McDonald & Co. Group Offers McNeil Shares

An underwriting group headed by McDonald & Company, Cleveland, on Oct. 2 offered 219,00 shares of the common stock o The McNeil Machine & Engineering Co. of Akron, Ohio, at $11.25 per share. The offering consists of shares being purchased from the four officers of the company who will retain 50.2% of the outstanding shares.

The company is the leading manufacturer of tire and tub curing or vulcanizing presses used by tire manufacturers throughou the world and is also an importa factor in the field of curing presses for miscellaneous rubb goods. Its subsidiary, The Clev land Crane & Engineering Co., l cated in Wickliffe, Ohio, a subu of Cleveland, manufactures hea cranes, "Cleveland Tramrail" ove head materials handling equi ment and "Steelweld" pre brakes and shears.

Among associated underwrite are: Blair, Rollins & Co.,; Hemp hill, Noyes, Graham, Parsons Co.; Hornblower & Weeks; Me rill Lynch, Pierce, Fenner Beane; Paine, Webber, Jackson Curtis; Shields & Co.; Dean Wi ter & Co.; and Paul H. Davis & Co.

Coffin, Betz Offers Ultrasonic Corp. Stock

Coffin, Betz & Co., Philadelph Pa., is offering 100,000 shares common stock (par $5) of Ult sonic Corp. at $14.75 per sha

Ultrasonic Corp., incorpor in Massachusetts on Oct. 11, 1 is engaged in the develop and manufacture of sound erating mechanisms and proce adapting such mechanisms to dustrial use, and in the deve ment and manufacture of c puters for navigational contro guided missiles and of associ gun-fire control equipment the armed services.

If all of the stock is sold, p ceeds will be used to purch stock of the S. A. Woods Machi Co. on which Ultrasonic Corp. h acquired options to purchase over 95% of the outstanding capit stock at an aggregate price $2,200,000 for all of the o standing Woods stock. If o 25,000 shares are sold company intends to ap the proceeds either to the purch or construction of a plant hav at least 25,000 square feet of fl space suitable for the compa intended operations, in or n Boston, Mass., or to the purch of the assets or stock of so other manufacturing conce which owns such a plant.

A. H. Chapman Opens

(Special to The Financial Chronicle)

OAKLAND, Calif. — Albert Chapman has opened offices the Financial Center Building to engage in a securities business.

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The State of Trade and Industry

to ship hot-rolled bars to a cold finisher who turns out the cold-finished bars.

This is hardly a permanent answer to the cold-finished bar problem. Several steel users quite frankly told "The Iron Age" that the hot-rolled tonnage now going to cold finishers will undoubtedly lead to a shortage of hot-rolled bars in the first quarter of next year.

In the automotive industry output last week declined to 108,679 units from 128,541 units in the previous week. Responsible for the decline were production shutdowns which idled approximately 70,000 workers, "Ward's Automotive Reports" noted. Ford and Mercury plants were curtailed sharply on Friday last; Hudson suspended assemblies for the entire week, Packard for three days and Chrysler and Studebaker for two days.

Materials shortages, attainment of third-quarter National Production Authority authorizations and inventory programs were blamed for the shutdowns, the agency reported. All companies will resume full productoin by the latter part of this week, said "Ward's," except for Packard, which will be shut down until Oct. 15 for inventory and plant rearrangement.

October output is expected to show a 10% gain over September, with United States schedules calling for 404,000 passenger cars and 109,000 truck completions, according to the agency. This would represent a gain of about 49,000 units over September, when an estimated 358,000 cars and 106,500 trucks were built.

August factory sales of motor vehicles totaled 549,708 units, a decline of 33% below the same month in 1950, the Automobile Manufacturers Association reports.

In the first eight months of 1951, a total of 4,931,884 new cars, trucks and buses were turned out, the AMA said, compared with 5,275,141 units in the comparable period last year.

Exports during August totaled 45,333 units, or an increase of 68% above August, 1950. Total shipments of new motor vehicles to foreign markets for the eight-month period reached 351,474 units, or 7% of the industry's total output.

Steel Production Set to Rise Fractionally This Week

Steelmakers enter the closing quarter of the year burdened with far more orders than they can handle expeditiously, says "Steel," the weekly magazine of metal working, the current week. Arrearages from the third quarter are substantial, and the defense load, sustained at high level, gives signs of increasing as projected work reaches an active stage. In the circumstances, lacking sizable order cancellations, there is little possibility demand-supply balance can be achieved in the months immediately ahead.

There has been some loosening of reserve steel supplies held for emergency work in the fourth quarter, states this trade publication, adding, this tonnage is relatively small, however, including structural shapes, plates and bars. Meanwhile, outright order cancellations to date are negligible despite government control authorities' efforts to eliminate duplicate tonnage from mill order books. Only in a few specialties, tool steel, wire rope, enameling sheets and heavy forgings, has any noticeable lag appeared. In some products, galvanized sheets for example, supply conditions are more stringent than ever. Further, rail inquiry for 1952 is appearing, the Pennsylvania Railroad closing bids on 100,000 tons this week, up from 78,000 tons in 1951.

Most steel producers, says this trade weekly, are declining orders for shipment beyond first quarter 1952, except in the case of defense requirements. On the latter account business is being accepted by some interests into the third quarter on a limited scale. As a general thing the steelmakers are booking with extreme caution even for first quarter. Setting up of rolling schedules under the Controlled Materials Plan is more orderly than at the beginning of the third quarter.

Continuing, this trade paper states that steel operations are being pressed at above-capacity pace, last week the national ingot rate rising ½ point to 101.5% of capacity. However, the mills are beginning to show wear-and-tear from the prolonged period of high level production. Shutdowns for repairs are more frequent. Meanwhile, steel expansion programs are being pushed to completion as rapidly as possible.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 102.6% of capacity for the week beginning Oct. 1, 1951, or an increase of 0.5 of a point from a week ago.

This week's operating rate is equivalent to 2,051,000 tons of steel ingots and castings for the entire industry, compared to 102.1%, or 2,041,000 tons a week ago, and 98.3%, or 1,965,000 tons a month ago. A year ago it stood at 101.2% of the old capacity and amounted to 1,951,900 tons.

Electric Output Registers Modest Gain in Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 29, 1951, was estimated at 7,101,794,000 kwh., according to the Edison Electric Institute.

Output in the latest reporting week increased moderately above the previous week.

The current total was 87,844,000 kwh. above that of the preceding week; 598,786,000 kwh., or 9.2% above the total output for the week ended Sept. 30, 1950, and 1,580,556,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Show Mild Advance in Latest Week

Loading of revenue freight for the week ended Sept. 22, 1951, totaled 864,310 cars, according to the Association of American Railroads, representing an increase of 13,498 cars, or 1.6% above the preceding week.

The week's total represented a decrease of 6,219 cars, or 0.7% below the corresponding week in 1950, but an increase of 202,842 cars, or 30.7% above the comparable period of 1949 when holdings were reduced by a strike of coal miners.

Auto Output Slumped Further in the Latest Week

Combined motor vehicle production in the United States and Canada the past week, according to "Ward's Automotive Reports," dropped to 115,319 units, compared with the previous week's total of 135,015 (revised) units, and 187,030 units in the like week of 1950.

For the United States alone, total output dropped to an estimated 108,679 units from last week's revised total of 128,541 units. In the like week of last year output totaled 178,644 units. Canadian output in the week totaled 6,640 units compared with 6,474 units a week ago, and 8,386 units a year ago.

Total output for the current week was made up of 80,639 cars and 28,040 trucks built in the United States and a total of 4,645 cars and 1,995 trucks built in Canada, against 4,534 cars and 1,940 trucks last week and 6,564 cars and 1,822 trucks in the comparable 1950 week.

Business Failures Register Mild Decline

Commercial and industrial failures declined slightly to 154 in the week ended Sept. 27 from 160 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties exceeded the 148 which occurred a year ago, they dipped below the 181 in 1949 and were down 42% from the prewar total of 264 recorded in the comparable week of 1939.

Wholesale Food Price Index Scores First Rise in 7 Weeks

Marking the first upturn in seven weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 1 cent the past week to stand at $6.78 as of September 25. Last week's figure of $6.77, the lowest in ten months, followed a steady decline lasting for six weeks. The current index compares with $6.61 on the like date a year ago, or a gain of 2.6%. It is still 13.8% above the pre-Korea level of $5.96.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Daily Wholesale Commodity Price Index Continues Upward Trend

The daily wholesale commodity price index compiled by Dun & Bradstreet, Inc., moved higher last week, continuing the upward trend of the previous week. The index closed at 300.28 on Sept. 25, comparing with 298.72 a week previous, and with 290.08 on the corresponding date a year ago.

Grain markets at Chicago were unsettled the past week. Early weakness resulted from good weather reports following a forecast of freezing temperatures over the previous weekend which failed to materialize. Interest centered largely in corn where prices recovered sharply on renewed predictions of frost in major producing areas. A large percentage of the crop has been declared safe but there is much unmatured corn that is still vulnerable to frost damage. Wheat was fairly steady but declined in late dealings.

Market receipts of Winter wheat were small but the movement of Spring wheat at northwestern points continued in heavy volume.

Country offerings of oats were light; cash prices held firm notwithstanding big stocks on hand and competition from Canadian oats. Sales of grain futures on the Chicago Board of Trade declined slightly last week to a daily average of 37,400,000 bushels, from 38,500,000 bushels the week before, but were considerably above the corresponding 1950 week with a daily average of 27,700,000 bushels.

The domestic cotton market continued strong; spot quotations at New York closed 1¼ cents higher than a week ago. Bullish influences included reports of a strong holding movement in the South and more active domestic and foreign price-fixing. Buying was also stimulated by the easing of export curbs and unfavorable weather in the belt. Entries of cotton into the government's 1951 loan stock increased sharply, totaling 46,442 bales for the week, bringing the total for the season through Sept. 13 to 75,223 bales, as against entries of only 8,000 bales in the entire previous season.

Trade Volume Held Close to Level of Previous Week

While consumer buying in the period ended on Wednesday of last week was generally at the level of a week ago, it was slightly below that in the corresponding 1950 week, Dun & Bradstreet, Inc., reports in its latest summary of trade. Consumers continued to evidence a marked preference for soft goods. Although volume in home furnishings and appliances was below a year ago, the demand for apparel was usually above.

Total retail volume in the period ended on Wednesday of last week was estimated to be from unchanged to 4% below a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England +1 to +5; East —1 to +3; South +1 to —3; Middle West 0 to —4; Northwest —2 to —6; Southwest and Pacific Coast —3 to —7.

The total dollar value of wholesale trade declined slightly in the week. The volume of orders for most goods was slightly below that in the corresponding week a year ago, although apparel was a notable exception. While the number of buyers attending the major wholesale centers was moderately below the previous week's level, it was slightly above that of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 22, 1951, decreased 1% from the like period of last year. A decline of 10% was recorded in the previous week from that of a year ago, and a decrease of 4% is shown for the four weeks ended Sept. 22, 1951. For the year to date department store sales registered an advance of 3%.

Retail trade in New York the past week was handicapped by warm weather and, as a consequence, registered a decline of about 4% under the similar period a year ago.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Sept. 22, 1951, decreased 8% from the like period of last year. In the preceding week a decrease of 10% (revised) was registered below the similar week of 1950. For the four weeks ended Sept. 22, 1951, a decrease of 5% was recorded below that of a year ago, and for the year to date volume advanced 6% from the like period of last year.

Blyth & Associates Offer Idaho Pow. Bds.

Blyth & Co., Inc.; Lazard Freres & Co. and The First Boston Corporation publicly offered on Oct. 3 a new issue of $15,000,000 first mortgage bonds of Idaho Power Co. Bearing a 3¼% interest rate and maturing in 1981, the bonds were priced at 101½ to yield approximately 3.17% at maturity. The offering was oversubscribed.

The new bonds are redeemable for sinking or improvement fund purposes on or prior to Sept. 30, 1952, at 101.55 and thereafter at prices scaling down from 101.51 to 100.08. General redemption prices range from 104.50 to 100.15.

Proceeds from the sale will be used to repay $14,975,000 of bank loans borrowed previously to finance the company's construction program under which expenditures for 1951 are estimated to be in excess of $22,000,000. The principal project is an 82,500 kilowatt hydroelectric development now under construction in Idaho, which will increase the system's generating capability to 354,260 kilowatts.

Capitalization of the utility giving effect to the current financing consists of $60,000,000 of long-term debt; 175,000 shares of 4% preferred stock and 900,000 shares of common stock.

Supplying electric service in parts of Idaho, Oregon an Nevada, Idaho Power Company serves a territory largely agricultural in character. Of total operating revenues of $14,771,521 recorded in the 12 months ended Dec. 31, 1950, 49% was made to residential and farm customers; 19% to commercial customers; 22% to industrial customers; 7% to public utilities and 3% on miscellaneous sales. Net income for 1950 was $3,140,000.

Through interconnections with Utah Power & Light Company, Idaho is cooperating with the so-called northwest power pool through joint planning and interchange of power. This pool includes the major publicly and privately owned electric utilities in Washington, Oregon, Montana, Utah and Idaho.

Public Serv. of Colo. 3¼% Bonds Offered

Kuhn, Loeb & Co. and associates on Oct. 3 offer $15,000,000 of Public Service Co. of Colorado first mortgage bonds, 3¼% series due 1981 at 101.931% and accrued interest, to yield 3.15%. The group won awarded of the bonds at competitive sale on Oct. 2 on a bid of 101.639%. The offering was quickly oversubscribed.

Proceeds from the sale of the bonds will be added to the general funds of the company and will be used toward its construction program. The company estimates a gross construction program during the three years 1951-1953, inclusive of $64,000,000.

Regular redemption prices of the bonds range from 104.95% to par. Sinking fund redemptions may be made at prices from 101.90% to par.

Public Service Co. of Colorado was incorporated in 1924 through a merger of predecessors. It is an operating public utility engaged principally in the generation, purchase, transmission, distribution and sale of electricity and in the purchase, distribution and sale of natural gas. To a minor extent the company also is engaged in rendering stead heating, bus transportation and manufactured gas service. The company's operations are wholly within the State of Colorado, the principal center being the City of Denver and immediate vicinity. The company serves at retail with electricity or gas or both an estimated population of 800,000.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Oct. 7	102.6	102.1	98.3	101.2
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 7	2,051,000	2,041,000	1,965,000	1,951,900
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Sept. 22	6,297,950	6,282,200	6,220,250	5,894,050
Crude runs to stills—daily average (bbls.)	Sept. 22	¶6,550,000	6,544,000	6,500,000	5,982,000
Gasoline output (bbls.)	Sept. 22	21,752,000	21,720,000	21,592,000	19,726,000
Kerosene output (bbls.)	Sept. 22	2,393,000	2,558,000	2,254,000	2,355,000
Distillate fuel oil output (bbls.)	Sept. 22	9,547,000	8,833,000	8,761,000	7,816,000
Residual fuel oil output (bbls.)	Sept. 22	8,358,000	8,598,000	8,763,000	8,356,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 22	113,072,000	114,318,000	115,934,000	104,739,000
Kerosene (bbls.) at	Sept. 22	33,529,000	32,945,000	29,504,000	27,632,000
Distillate fuel oil (bbls.) at	Sept. 22	95,164,000	92,528,000	85,543,000	75,079,000
Residual fuel oil (bbls.) at	Sept. 22	47,644,000	47,972,000	46,753,000	42,319,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 22	864,310	850,812	838,587	870,529
Revenue freight received from connections (number of cars)	Sept. 22	693,041	670,779	680,216	725,846
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 27	$335,092,000	$232,381,000	$257,381,000	$244,811,000
Private construction	Sept. 27	227,640,000	63,843,000	160,049,000	130,015,000
Public construction	Sept. 27	107,452,000	168,538,000	97,332,000	114,796,000
State and municipal	Sept. 27	66,288,000	101,345,000	68,756,000	104,382,000
Federal	Sept. 27	41,164,000	67,193,000	28,576,000	10,414,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 22	10,900,000	10,860,000	10,747,000	11,532,000
Pennsylvania anthracite (tons)	Sept. 22	833,000	784,000	827,000	949,000
Beehive coke (tons)	Sept. 22	130,800	*132,600	128,000	131,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Sept. 22	319	*329	279	322
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 29	7,101,794	7,013,950	7,145,609	6,503,008
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 27	154	160	164	148
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 25	4.131c	4.131c	4.131c	3.837c
Pig iron (per gross ton)	Sept. 25	$52.69	$52.69	$52.69	$46.61
Scrap steel (per gross ton)	Sept. 25	$43.00	$43.00	$43.00	$40.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 26	24.200c	24.200c	24.200c	22.500c
Export refinery at	Sept. 26	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Sept. 26	103.000c	103.000c	103.000c	104.000c
Lead (New York) at	Sept. 26	17.000c	17.000c	17.000c	16.000c
Lead (St. Louis) at	Sept. 26	16.800c	16.800c	16.800c	15.800c
Zinc (East St. Louis) at	Sept. 26	17.500c	17.500c	17.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 2	97.99	98.56	99.02	101.67
Average corporate	Oct. 2	111.25	111.62	111.25	115.43
Aaa	Oct. 2	115.82	116.22	116.02	119.82
Aa	Oct. 2	115.24	115.43	115.04	118.60
A	Oct. 2	110.15	110.34	110.34	115.04
Baa	Oct. 2	104.66	104.83	104.31	109.06
Railroad Group	Oct. 2	108.16	108.16	107.62	111.62
Public Utilities Group	Oct. 2	111.07	111.25	111.25	116.22
Industrials Group	Oct. 2	114.85	115.24	115.04	119.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 2	2.63	2.59	2.56	2.37
Average corporate	Oct. 2	3.10	3.08	3.10	2.88
Aaa	Oct. 2	2.86	2.84	2.85	2.66
Aa	Oct. 2	2.89	2.88	2.90	2.72
A	Oct. 2	3.16	3.15	3.15	2.90
Baa	Oct. 2	3.47	3.46	3.49	3.22
Railroad Group	Oct. 2	3.27	3.27	3.30	3.08
Public Utilities Group	Oct. 2	3.11	3.10	3.10	2.84
Industrials Group	Oct. 2	2.91	2.89	2.90	2.70
MOODY'S COMMODITY INDEX	Oct. 2	463.5	457.4	452.7	464.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 22	155,900	201,011	188,010	219,191
Production (tons)	Sept. 22	214,310	222,702	225,800	229,731
Percentage of activity	Sept. 22	90	94	94	101
Unfilled orders (tons) at end of period	Sept. 22	475,903	538,949	516,856	700,166
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Sept. 28	149.1	149.5	148.8	137.0
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Sept. 15	35,640	25,553	26,808	30,825
Number of shares	Sept. 15	1,077,194	754,986	774,361	946,453
Dollar value	Sept. 15	$46,148,934	$33,031,337	$35,137,547	$42,115,213
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 15	35,065	24,588	23,728	35,401
Customers' short sales	Sept. 15	252	166	208	451
Customers' other sales	Sept. 15	34,813	24,422	23,520	34,950
Number of shares—Total sales	Sept. 15	1,009,067	706,004	660,242	1,024,499
Customers' short sales	Sept. 15	8,183	5,840	7,100	16,032
Customers' other sales	Sept. 15	1,000,884	700,164	653,142	1,408,467
Dollar value	Sept. 15	$40,475,280	$28,476,518	$27,167,703	$39,598,731
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 15	295,190	222,380	178,420	344,910
Short sales	Sept. 15	------	------	------	------
Other sales	Sept. 15	295,190	222,380	178,420	344,910
Round-lot purchases by dealers—					
Number of shares	Sept. 15	372,730	266,030	318,560	293,560
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Sept. 25	177.1	*176.4	176.8	169.9
Farm products	Sept. 25	191.8	188.6	188.7	179.4
Grains	Sept. 25	182.2	180.2	180.7	165.3
Livestock	Sept. 25	265.0	256.7	258.3	233.5
Foods	Sept. 25	188.6	187.9	187.4	176.4
Meats	Sept. 25	282.1	280.0	278.7	257.5
All commodities other than farm and foods	Sept. 25	165.2	*165.4	165.9	160.4
Textile products	Sept. 25	160.9	*163.2	168.1	162.1
Fuel and lighting materials	Sept. 25	138.6	*138.6	137.8	135.1
Metals and metal products	Sept. 25	190.5	189.4	188.2	177.5
Building materials	Sept. 25	222.3	222.0	221.7	220.4
Lumber	Sept. 25	341.6	341.0	341.2	‡
Chemicals and allied products	Sept. 25	141.1	140.4	140.0	130.1

*Revised. ‡Not available. ¶Includes 494,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of August:			
New England	$41,387,438	$29,215,614	$34,639,026
Middle Atlantic	111,643,528	77,700,220	94,483,711
South Atlantic	34,420,897	64,846,220	49,473,698
East Central	96,812,345	80,544,092	124,262,683
South Central	62,566,795	57,522,360	101,389,778
West Central	25,745,212	24,420,424	35,749,481
Mountain	11,533,904	11,930,748	19,413,134
Pacific	53,556,281	69,392,224	91,586,462
Total United States	$437,666,400	$415,571,892	$550,997,973
New York City	76,505,151	45,557,765	37,858,882
Outside of New York City	361,161,249	370,014,127	513,139,091
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of August:			
Manufacturing number	136	130	173
Wholesale number	64	66	70
Retail number	333	340	402
Construction number	89	74	91
Commercial service number	56	55	51
Total number	678	665	787
Manufacturing liabilities	$10,497,000	$7,790,000	$7,225,000
Wholesale liabilities	4,099,000	4,456,000	2,228,000
Retail liabilities	6,173,000	4,778,000	5,685,000
Construction liabilities	4,290,000	2,666,000	1,233,000
Commercial service liabilities	1,358,000	1,398,000	2,077,000
Total liabilities	$26,417,000	$21,088,000	$18,448,000
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-1939 = 100—Adjusted as of Aug. 15:			
All items	185.5	185.5	173.4
All foods	227.0	227.7	209.9
Cereals and bakery products	188.7	189.0	175.5
Meats	276.4	274.2	259.6
Dairy products	205.9	205.1	184.3
Eggs	225.8	211.5	182.2
Fruits and vegetables	208.9	218.5	193.4
Beverages	345.2	344.8	321.3
Fats and oils	162.7	168.8	155.9
Sugar and sweets	188.3	188.0	185.6
Clothing	203.6	203.3	185.7
Rent	136.8	136.2	131.6
Fuel, electricity and refrigerators	144.2	144.0	140.2
Gas and electricity	97.3	97.2	96.8
Other fuels	204.2	203.7	192.9
Ice	157.8	157.6	147.6
House furnishings	210.8	212.4	189.1
Miscellaneous	165.4	165.0	156.8
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of August	754,119	767,282	798,474
In consuming establishments as of Aug. 26	1,053,401	1,370,446	1,147,989
In public storage as of Aug. 26	1,492,235	674,909	4,676,265
Linters—Consumed month of August	87,604	90,460	148,966
In consuming establishments as of Aug. 26	144,800	172,186	152,470
In public storage as of Aug. 26	34,808	49,746	135,922
Cotton spindles active as of Aug. 26	20,755,000	20,871,000	20,552,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters) to Sept. 16	3,661,915	------	2,695,465
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Sept. 1	23,184,000	23,183,000	23,805,000
Spinning spindles active on Sept. 1	20,755,000	20,871,000	21,352,000
Active spindle hours, (000's omitted) August	8,786,000	9,241,000	9,384,000
Active spindle hrs. per spindle in place August	468.4	410.8	421
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y.—1935-1939 AVERAGE = 100—Month of August:			
Sales (average monthly), unadjusted	205	176	*215
Sales (average daily), unadjusted	194	179	*203
Sales (average daily), seasonally adjusted	265	256	*279
Stocks, unadjusted	279	262	226
Stocks, seasonally adjusted	279	294	226
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of June:			
All manufacturing (production workers)	13,058,000	*13,004,000	12,070,000
Durable goods	7,412,000	*7,417,000	6,598,000
Nondurable goods	5,646,000	5,587,000	5,472,000
Employment indexes—			
All manufacturing	159.4	*158.7	147.3
Payroll indexes—			
All manufacturing	435.7	*428.8	362.7
Estimated number of employees in manufacturing industries—			
All manufacturing	15,964,000	*15,873,000	14,666,000
Durable goods	9,006,000	*8,987,000	7,964,000
Nondurable goods	6,958,000	*6,886,000	6,702,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of August:			
Earnings—			
All manufacturing	$64.72	$64.56	$60.32
Durable goods	70.26	*69.21	64.33
Nondurable goods	57.87	*58.44	55.65
Hours—			
All manufacturing	40.4	*40.3	41.2
Durable goods	41.5	41.0	41.8
Nondurable goods	39.1	*39.3	40.5
Hourly earnings—			
All manufacturing	$1.602	*$1.602	$1.464
Durable goods	1.693	*1.688	1.539
Nondurable goods	1.480	*1.487	1.374
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of August (000's omitted):			
Ordinary	$1,467,000	$1,472,000	$1,785,000
Industrial	424,000	420,000	414,000
Group	274,000	327,000	341,000
Total	$2,165,000	$2,219,000	$2,540,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of June:			
Net railway operating income	$63,930,048	$74,936,576	$90,025,716
Other income	28,065,803	15,420,737	22,682,958
Total income	91,995,851	90,357,313	112,708,674
Miscellaneous deduction from income	3,638,915	3,684,107	3,903,048
Income available for fixed charges	88,356,936	86,673,206	108,805,626
Income after fixed charges	53,374,730	52,391,675	75,273,974
Other deductions	3,182,432	3,166,298	3,187,621
Net income	50,192,298	49,225,377	72,086,353
Depreciation (way & structures & equip.)	37,640,189	36,492,608	35,725,621
Amortization of defense projects	3,375,372	4,315,389	1,372,254
Federal income taxes	42,683,026	48,373,380	34,590,843
Dividend appropriations:			
On common stock	16,943,627	28,161,650	13,276,309
On preferred stock	2,286,343	8,442,500	1,464,695
Ratio of income to fixed charges	2.53	2.53	3.24

*Revised figure.

Securities Now in Registration

★ REVISIONS THIS WEEK
• INDICATES ADDITIONS

New Registrations and Filings

Alaska-Wrangell Mills, Inc., Seattle, Wash.
Sept. 26 (letter of notification) 1,222 shares of preferred stock (par $30) and 2,444 shares of common stock (par $1), to be offered in units of one share of preferred and two shares of common stock. **Price**—$35 per unit. **Underwriter**—H. C. Van Valkenburgh. **Proceeds**—To rehabilitate mill in Alaska. **Office**—216 Third Avenue, South, Seattle, Wash.

Aldens, Inc., Chicago, Ill.
Sept. 21 (letter of notification) $30,000 of contributions by employees to company's Employees' Profit Sharing Fund (number of participants estimated at 203 for succeeding year); eligible employees may contribute not in excess of $500, or not less than 2% nor more than 5% of their salaries. **Office**—511 So. Paulina Street, Chicago 7, Ill.

American Discount Co. of Georgia
Sept. 24 (letter of notification) 11,107 shares of common stock (no par), of which 10,728 shares are to be offered to one majority stockholder and 379 shares are to be offered to the public. **Price**—$36 per share. **Underwriter**—None. **Proceeds**—For working capital. **Address** P. O. Box 2665, Charlotte 1, N. C.

American Export Lines, Inc. (10/16)
Sept. 27 filed 123,521 shares of common stock (par 40 cents). **Price**—To be supplied by amendment. **Underwriter**—Union Securities Corp., New York. **Proceeds**—To certain selling stockholders.

Atlantic Terminal & Warehouses, Inc.
Sept. 25 (letter of notification) $238,900 of 6% bonds. **Price**—At par. **Underwriter**—None. **Proceeds**—To pay notes. **Office**—629 Title Building, Baltimore 2, Md.

Bell & Gossett Co., Morton Grove, Ill.
Sept. 27 (letter of notification) 1,000 shares of common stock (par $5). **Price** — At market (approximately $26.25 per share). **Underwriter**—Ames, Emerich & Co., Inc., Chicago, Ill. **Proceeds**—To Clarence E. Pullum, Vice-President, who is the selling stockholder.

Blackwood & Nichols Co., Oklahoma City, Okla., and Davidson, Hartz, Hyde & Dewey, Inc., Madison, N. J.
Sept. 27 filed $2,000,000 of contributions in oil property interests (1952 fund) in amounts of $15,000 or more. **Underwriter**—None. **Proceeds**—To acquire and develop oil property.

Celanese Corp. of America (10/18)
Oct. 2 filed $50,000,000 of 25-year sinking fund debentures due Oct. 2, 1976. **Price**—To be supplied by amendment. **Underwriter**—Dillon, Read & Co., Inc., New York. **Proceeds**—To redeem $19,750,000 of notes and for general corporate purposes.

Coca-Cola Bottling Co. of St. Louis
Sept. 26 (letter of notification) 2,500 shares of common stock (par $1). **Price**—At the market (approximately $30 per share). **Underwriter**—G. H. Walker & Co. and Wm. F. Dowdall & Co., both of St. Louis, Mo. **Proceeds**—To Willard Cox, the selling stockholder. **Office**—2950 No. Market St., St. Louis, Mo.

Consolidated Engineering Corp., Pasadena, Calif.
Sept. 20 (letter of notification) 230 shares of common stock (par $1). **Price**—$27.25 per share. **Underwriter**—None. **Proceeds**—To Alfred J. Proffitt, who has been issued these securities pursuant to an option agreement between him and the company. **Office**—300 North Sierra Madre Villa, Pasadena 8, Calif.

Deardorf Oil Corp., Oklahoma City, Okla.
Sept. 24 (letter of notification) 175,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Underwriter**—None. **Proceeds**—For operating expenses. **Office**—219 Fidelity Building, Oklahoma City, Okla.

Family Finance Corp., Wilmington, Del.
Sept. 24 (letter of notification) 10,520 shares of common stock (par $1) to be issued in exchange for common stock of National Finance Corp. at rate of five-sevenths of a share of Family Finance stock for each National share. **Underwriter**—None. **Office**—200 West Ninth St., Wilmington 43, Del.

Fidelity Electric Co., Inc., Lancaster, Pa.
Sept. 26 (letter of notification) 2,000 shares of common stock (par $1). **Price**—At market (approximately $3.50 per share). **Underwriter**—Dunne & Co., New York. **Proceeds** — To J. D. Cleland, President, the selling stockholder.

General Acceptance Corp., Allentown, Pa.
Sept. 28 filed $5,000,000 10-year 3½% sinking fund debentures due Oct. 1, 1961. **Price** — To be supplied by amendment. **Underwriter** — Paine, Webber, Jackson & Curtis, New York. **Proceeds** — To prepay senior notes and other borrowings and for general corporate purposes.

Glen-Gery Shale Brick Corp., Reading, Pa. (10/23)
Sept. 28 filed $2,000,000 first mortgage bonds, 5½% series, due 1971, with detachable warrants for puchase of common stock attached. **Price** — To be supplied by amendment. **Underwriters** — Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York, and Warren W. York & Co., Allentown, Pa. **Proceeds**—To redeem $831,400 bonds and repay $500,000 bank loans and for expansion program.

Gulf Bitulithic Co., Houston, Tex.
Sept. 27 (letter of notification) 4,850 shares of common stock (no par). **Price**—$10 per share. **Underwriter**—None. **Proceeds** — To reduce bank loans. **Office**—2820 Polk St., P. O. Box 2572, Houston, Tex.

Hibbard, Spencer, Bartlett & Co.
Sept. 25 (letter of notification) 2,000 shares of capital stock (par $25). **Price**—At market. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill. **Proceeds** — To Frank Hibbard, the selling stockholder. **Office**—2201 Howard St., Evanston, Ill.

Income Estates of America, Inc.
Sept. 27 filed $2,500,000 of Dominion Plan, series TS, quarterly investment plans. **Underwriter**—T. I. S. Management Corp., New York. **Proceeds**—To be invested in shares of Trusteed Industry Shares, an open-end common stock investment fund.

Independent Exploration Co., Bakersfield, Calif.
Sept. 24 (letter of notification) an undetermined number of shares of common stock (par 33⅓ cents) sufficient to raise $100,000. **Price**—At market (approximately $10.87½ and $10.25 per share). **Underwriter**—None. **Proceeds**—To L. W. Saunders, J. L. Milburn and L. B. Seaman, directors of the company. **Office**—531 California Ave., Bakersfield, Calif.

Montana Hardwood Co., Inc., Missoula, Mont.
Sept. 26 (letter of notifictaion) 2,970 shares of 6% redeemable preferred stock (par $100) and 2,970 shares of common stock (par $1) to be offered in units of one preferred and one common share. **Price**—$101 per unit. **Underwriter**—None. **Proceeds** — To purchase land and erect plant. **Office**—123 West Main St., Missoula, Mont.

National Motor Bearing Co., Inc.
Sept. 26 (letter of notification) 3,200 shares of common stock (par $1). **Price**—$31.25 per share. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif. **Proceeds**—To Lloyd A. Johnson, President, who is the selling stockholder.

National Sales Council of California
Sept. 28 (letter of notification) 7,500 shares of common stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To develop, promote and manufacture milk flavoring. **Additional Filing**—7,500 shares also to be issued in exchange for promotional services of its officers and in exchange for certain franchises. **Office**—1301 No. Catalina Street, Los Angeles, Calif.

New Hampshire Business & Development Corp.
Sept. 24 (letter of notification) 1,000 shares of common stock (no par). **Price**—$100 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—14 Park Street, Concord, N. H.

Ohio Power Co. (10/30)
Sept. 28 filed $15,000,000 of first mortgage bonds due 1981 and $7,000,000 of serial notes to mature annually on Oct. 1 as follows: $250,000 annually in 1955 and 1956; $500,000 annually 1957 through 1960; and $750,000 annually 1961 through 1966. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co.; White Weld & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co. **Proceeds**—From sale of bonds and notes (together with $8,000,000 from sale of 1,700,000 shares of common stock to American Gas & Electric Co.) to retire $14,000,000 bank loans and for new construction. **Bids**—To be received up to 11 a.m. (EST) on Oct. 30 at 30 Church Street, New York 8, N. Y.

Overseas Merchants Corp.
Oct. 1 (letter of notification) 10 shares of common stock (no par). **Price**—$1,750 per share. **Underwriter**—E. M. Warburg & Co., Inc., New York. **Proceeds**—To Eric M. Warburg, a director, who is the selling stockholder. **Office**—52 William St., New York.

Parking, Inc., Boise, Ida.
Sept. 24 (letter of notification) 12,500 shares of common stock and $25,000 of 5% debenture notes. **Price**—At par ($10 per share) for stock and notes in units of $500 each. **Underwriter**—None. **Proceeds**—To erect parking facility. **Office**—1002 Warm Springs Avenue, Boise, Idaho.

Prugh Petroleum Co., Tulsa, Okla.
Sept. 25 (letter of notification) 60,000 shares of common stock. **Price**—$5 per share. **Underwriter**—Prugh, Combest & Land, Inc., Kansas City, Mo. **Proceeds**—To develop properties and retire indebtedness. **Office**—907 Kennedy Building, Tulsa 3, Okla.

Seaboard Finance Co., Los Angeles, Calif.
Sept. 24 (letter of notification) 1,000 memberships in the Savings and Profit Sharing Plan, each member to contribute not more than $250 per year. **Office**—945 So. Flower Street, Los Angeles 15, Calif.

Silver Buckle Mining Co., Wallace, Ida.
Sept. 25 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—32½ cents per share. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho. **Proceeds** — To six selling stockholders. **Address**—Box 469, Wallace, Idaho.

Sonic Research Corp., Boston, Mass.
Sept. 25 (letter of notification) 9,000 shares of common stock. **Price** — At par ($20 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—15 Chardon St., Boston, Mass.

Specialized Products Corp., Birmingham, Ala.
Sept. 26 (letter of notification) 50,000 shares of common stock **Price**—$1 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—For operating capital and advertising costs. **Office**—2807 Central Ave., Birmingham 9, Ala.

Springdale Silica Sand, Inc., Spokane, Wash.
Sept. 17 (letter of notification) $250,000 of 10-year 5% sinking fund notes and 125,000 shares of capital stock (par 10 cents) to be offered in units of $1,000 of notes and 500 shares of stock. **Price**—$905 per unit. **Underwriter** — None. **Proceeds** — For new construction and working capital. **Office**—401 Symons Bldg., Spokane 4, Wash.

Standard Products Co., Cleveland, Ohio
Sept. 24 (letter of notification) 30,000 shares of common stock to be offered for subscription by common stockholders of record Oct. 4 at rate of one share for each 10 shares held; rights to expire Oct. 23. **Price**—$8.50 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office**—2130 West 110th St., Cleveland 2, Ohio.

U. S. Vitamin Corp., New York
Sept. 28 filed 120,650 shares of common stock (par $1). **Price** — To be supplied by amendment. **Underwriters**—Allen & Co. and Blair, Rollins & Co., Inc., both of New York. **Proceeds**—To repay $1,000,000 loan from insurance firm and $700,000 bank borrowings, with the remainder added to working capital to be used for expansion program and other corporate purposes.

Previous Registrations and Filings

Aberdeen Petroleum Corp., Tulsa, Okla.
Sept. 14 (letter of notification) 28,000 shares of capital stock (par $1). **Price**—$5.50 per share. **Underwriter**—Bonner & Bonner, Inc., New York. **Proceeds**—For working capital. **Office**—1010 First National Bldg., Tulsa, 3, Okla.

Acme Industries, Inc., Jackson, Mich.
Sept. 12 (letter of notification) 14,840 shares of common stock (par $1), of which 4,840 shares are to be offered to officers and employees of company and 10,000 shares to the public. **Price**—To employees, $3.08 per share and to public $3.50 per share. **Underwriters**—Stoetzer, Faulkner & Co. and Wm. C. Roney & Co., both of Detroit, Mich. **Proceeds**—To Estate of Roy C. Weatherwax, the selling stockholder.

Acro Manufacturing Co., Columbus, Ohio
Aug. 14 (letter of notification) 40,716 shares of common stock (par 25 cents), to be offered to present stockholders at rate of four-fifths of a share for each share held (unsubscribed shares to be sold to public). **Price**—$7 per share to stockholders and $8 per share to public. **Underwriter**—None. **Proceeds**—For plant improvements and expansion and for working capital. **Office**—2040 East Main Street, Columbus, Ohio.

Alabama Flake Graphite Co., Birmingham, Ala.
July 12 (letter of notification) $100,000 of 7% 20-year sinking fund bonds dated Jan. 15, 1949 and due Jan. 15, 1969 (in denominations of $1,000 each). **Price**—At par. **Underwriter**—Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Proceeds**—For plant expansion. **Office**—420 Comer Bldg., Birmingham. Ala.

Aluminium, Ltd., Montreal, Canada (10/18)
Sept. 21 filed 372,205 shares of capital stock (no par) to be offered for subscription by stockholders of record on or about Oct. 18 at rate of one new share for each 10 shares held; rights to expire on or about Nov. 7. **Price**—To be supplied by amendment (not to exceed $65-Canadian-per share). **Dealer Managers**—The First Boston Corp. and A. E. Ames & Co., Ltd. **Proceeds**—For working capital to be available for expansion program.

American Brake Shoe Co.
June 29 filed 50,000 shares of common stock (no par) to be offered to certain officers and key employees through a stock purchase plan. **Price**—To be not greater than the market price on the date of the offering, or no less than 85% of such price. **Underwriter**—None. **Proceeds**—To be added to general funds.

American Investment Co. of Illinois
Aug. 16 filed 167,105 shares of $1.25 cumulative convertible preference stock, series A (par $25), being offered in exchange for common stock of Domestic Finance Corp., Chicago, Ill. on basis of one American share for each five Domestic common shares; the offer to expire on Oct. 25. **Dealer-Managers** — Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. Statement effective Sept. 5.

★ Arkansas Power & Light Co. (10/9)
Sept. 5 filed $8,000,000 of first mortgage bonds due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. and Central Republic Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Proceeds**—For construction and other corporate purposes. **Bids**—To be received up to noon (EST) on Oct. 9 at Two Rector St., New York. Statement effective Sept. 26.

★ Associated Telephone Co., Ltd. (Calif.) (10/9)
Sept. 10 filed $10,000,000 of first mortgage bonds, series G, due Oct. 1, 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); Harris, Hall & Co., Inc. and Equitable Securities Corp. (jointly); Lehman Brothers. **Proceeds**—For construction program. **Bids**—Expected to be received at 12:30 p.m. (EST) on Oct. 9. Statement effective Sept. 27.

★ Bigelow-Sanford Carpet Co., Inc.
May 16, filed 100,000 shares of 4½% cumulative preferred stock, series of 1951 (par $100), of which 39,604½ shares are issuable to holders of 26,403 shares of 6% preferred stock on the basis of 1½ shares for each preferred share held. Public offering of the additional 60,000 shares of new preferred stock has been deferred due to present market conditions. **Underwriters**—Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., and F. S. Moseley & Co. **Proceeds**—For general corporate purposes. **Withdrawal**—Statement withdrawn on Sept. 20.

Blair (Neb.) Telephone Co.
July 18 (letter of notification) $175,000 of first mortgage 4% bonds, series A, due 1971. **Price**—101 and accrued interest. **Underwriter** — Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To retire first mortgage (closed) 3½% bonds and to convert to dial operation.

Bloch Brothers Tobacco Co. (10/17)
Sept. 26 filed 50,000 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Underwriter**—Fulton, Reid & Co., Cleveland, Ohio. **Proceeds**—To Forchild Corp., the selling stockholder.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preference stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

★ Central & South West Corp. (10/16)
Sept. 10 filed 500,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Smith, Barney & Co. and Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co.; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly). **Proceeds**—To be used to assist subsidiaries to finance a part of their construction programs. **Bids** — Expected to be opened Oct. 16 at 11 a.m. (EST).

★ Chance (A. B.) Co., Centralia, Mo. (10/10)
Sept. 21 filed 50,000 shares of common stock (par $5). **Price**—$12.50 per share. **Underwriter**—Stifel, Nicolaus & Co., Inc., St. Louis, Mo. **Proceeds**—To certain selling stockholders. **Business**—Manufacture and sale of earth anchors and other equipment used in communication lines.

Clary Multiplier Corp., San Gabriel, Calif.
Aug. 29 (letter of notification) 23,250 shares of common stock (par $1). **Price**—$5 per share. **Undewriter**—None. **Proceeds**—To reduce bank loans and for working capital. **Office**—408 Junipero St., San Gabriel, Calif.

Clinton (Mich.) Machine Co.
Aug. 16 (letter of notification) 100,000 shares of common stock (par $1). **Price**—At the market (estimated at $2.75 per share, but not more than $3 per share). **Underwriter**—None. **Proceeds**—For working capital, including payment of accounts payable and purchase of inventory.

Colonial Acceptance Corp., Chicago, Ill.
Aug. 10 (letter of notification) 10,000 shares of class A common stock, first series (par $1). **Price**—At market (estimated at about $4.50 per share). **Underwriter**—Straus & Blosser, and probably others. **Proceeds** — To David J. Gradman, President, who is the selling stockholder.

Consolidated Equipment Corp.
July 10 (letter of notification) 300,000 shares of 6% cumulative preferred stock. **Price** — At par ($1 per share). **Underwriter**—None. **Proceeds**—For purchase of soft drink dispensing machines. **Office**—105½ East Pike Peak Avenue, Colorado Springs, Colo.

★ Consumers Cooperative Association, Kansas City, Mo.
Aug. 30 filed $5,000,000 of 4½% 10-year certificates of indebtedness and $3,000,000 of 20-year 5½% certificates of indebtedness. **Underwriter**—None. **Proceeds**—To purchase 6,000 shares of common stock of The Cooperative Farm Chemical Association, and for other corporate purposes, including financing of inventories and accounts receivable. **Business**—A regional farmers' cooperative purchasing association of the federated type, organized and operated on a cooperative basis to supply member associations with the products required by their farmer members and patrons. Statement effective Sept. 21.

NEW ISSUE CALENDAR

October 4, 1951
Louisville & Nashville RR. 11 a.m. (EST) — Eq. Trust Ctfs.

October 8, 1951
Public Service Co. of Indiana, Inc. — Common
Stix, Baer & Fuller Co. — Common
Sundstrand Machine Tool Co. — Common

October 9, 1951
Arkansas Power & Light Co. noon (EST) — Bonds
Associated Telephone Co., Ltd. (Calif.) 12:30 p.m. (EST) — Bonds
Harshaw Chemical Co. — Preferred
Pennsylvania Electric Co. 11 a.m. (EST) — Bonds & Pfd.
Warren Petroleum Corp. — Debentures
Western Pacific RR. — Preferred

October 10, 1951
Chance (A. B.) Co. — Common

October 15, 1951
Marine Midland Corp. (exchange offer) — Common

October 16, 1951
American Export Lines, Inc. — Common
Central & South West Corp. 11 a.m. (EST) — Com.
Chicago, Rock Island & Pacific RR. noon (CST) — Equip. Trust Ctfs.
Hollingsworth & Whitney Co. — Common
Public Service Electric & Gas Co. — Preferred
West Virginia Coal & Coke Corp. — Common
West Virginia Pulp & Paper Co. — Debentures

October 17, 1951
Bloch Brothers Tobacco Co. — Common
Consumers Power Co. 11 a.m. (EST) — Common
Louisville Gas & Electric Co. — Common
New England Gas & Electric Association — Bonds
Robbins Mills, Inc. — Preferred

October 18, 1951
Aluminium, Ltd. — Common
Celanese Corp. of America — Debentures

October 22, 1951
Pacific Gas & Electric Co. — Preferred
Shellmar Products Corp. — Preferred
Wisconsin Michigan Power Co. — Bonds

October 23, 1951
American Consolidated Freightways — Common
U. S. Vitamin Corp. — Common

October 24, 1951
Rockland Light & Power Co. — Bonds

October 25, 1951
Muhlens (Ferd.), Inc., 1:30 p.m. (EST) — Common

October 29, 1951
Utah Power & Light Co. — Bonds

October 30, 1951
Ohio Power Co. 11 a.m. (EST) — Bonds & Notes
West Texas Utilities Co. — Bonds

November 1, 1951
Long Island Lighting Co. — Common
Ritchie Associates Finance Corp. — Debentures

November 14, 1951
Florida Power & Light Co. noon (EST) — Bonds

November 20, 1951
Gulf States Utilities Co. — Bonds
Pacific Telephone & Telegraph Co. — Debs. & Stock

December 10, 1951
Virginia Electric & Power Co. — Bonds

Consumers Power Co., Jackson, Mich. (10/17)
Sept. 20 filed 561,517 shares of common stock (no par), to be offered for subscription by common stockholders of record Oct. 17 at rate of one share for each 10 shares held; rights to expire on Nov. 2. Unsubscribed shares to be offered employees of company and its subsidiary, Michigan Gas Storage Co. **Price** — To be supplied by amendment. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers; Harriman Ripley & Co., Inc. and The First Boston Corp. (jointly). **Proceeds**—For property additions and improvements. **Bids**—Expected to be received on or about Oct. 17 at 11 a.m.

Consumers Public Service Co., Brookfield, Mo.
Aug. 22 (letter of notification) 1,500 shares of 5% cumulative preferred stock. **Price** — At par ($50 per share). **Underwriter**—None, but will be sold through Wachob-Bender Corp., Omaha, Neb. **Proceeds**—For liquidation of short-term notes and for further extensions and betterments of the company's electric property. **Office**—201½ No. Main St., Brookfield, Mo.

Continental Car-Nar-Var Corp., Brazil, Ind.
March 5 (letter of notification) 150,000 shares of common (voting) stock (par $1). **Price**—$2 per share. **Underwriters**—Sills, Fairman & Harris, Inc., Chicago, and Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital and general corporate purposes. Temporarily deferred.

Continental Electric Co., Geneva, Ill.
March 2 (letter of notification) $300,000 of 6% sinking fund debentures due Dec. 1, 1975 (to be issued in units of $100, $500 and $1,000 each). **Price**—91% of principal amount. **Underwriter**—Boettcher & Co., Chicago, Ill. **Proceeds**—To retire indebtedness and for working capital. **Offering**—Postponed indefinitely.

Cribben & Sexton Co., Chicago, Ill.
Aug. 30 (letter of notification) 500 shares of preferred stock. **Price** — $13.50 per share. **Underwriter** — Wayne Hummer & Co., Chicago, Ill. **Proceeds** — To Harold Jalass, the selling stockholder.

★ Crown Drug Co., Kansas City, Mo.
Aug. 21 (letter of notification) by amendment $300,000 4½% debenture convertible notes due Oct. 1, 1962 (in units of $60, $100, $500 and $1,000) being offered to common stockholders of record Oct. 1 on following basis: $60 of notes for each 100 shares or less held; $100 of notes for each 101 shares to 150 shares held; and stockholders owning over 150 shares, $60 of notes for each 100 shares or fraction thereof held. Rights will expire on Oct. 22. **Underwriters**—Roger W. Babson, Wellesley Hills, Mass.; H. J. Witschner, Kansas City, Mo.; Business Statistics Organization, Inc., Babson Park, Mass.; or their nominees. **Proceeds**—To retire debt to RFC and for working capital. **Office**—2110 Central Street, Kansas City, Mo.

Dansker Realty & Securities Corp., N. Y.
Sept. 20 (letter of notification) 47,720 shares of class A stock (par 35 cents). **Price**—$1.05 per share. **Underwriter**—None. **Proceeds** — To Dansker Brothers & Co., Inc., New York, the selling stockholder.

Doman Helicopters, Inc., N. Y.
Sept. 20 (letter of notification) 3,000 shares of capital stock. **Price**—At the market (estimated at $4 per share). **Underwriter**—None. **Proceeds**—To Glidden S. Doman, President, who is the selling stockholder. **Office**—545 Fifth Ave., New York 17, N. Y.

Donaldson Co., Inc., St. Paul, Minn.
Sept. 6 (letter of notification) 11,500 shares of common stock (par $5) and 800 shares of 5% preferred stock (par $100), to be offered to present stockholders, officers and key employees. **Price**—For common, $19 per share, and for preferred, $100 per share. **Underwriter**—None. **Proceeds** — For working capital. **Office** — 666 Pelham Blvd., St. Paul, Minn.

Drayson-Hanson, Inc., Los Angeles, Calif.
June 4 (letter of notification) 50,000 shares of common stock (par 40 cents). **Price**—$1.20 per share. **Underwriter**—Edgerton, Wykoff & Co., Los Angeles, Calif. **Proceeds**—To purchase real property and plant.

Equipment Finance Corp., Charlotte, N. C.
Aug. 6 (letter of notification) 2,774 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For operating capital. **Office**—1026 So. Boulevard, Charlotte, N. C.

Financial Credit Corp., New York
July 27 (letter of notification) $250,000 of Financial investment bonds. **Price**—At par (in units of $50, $250, $500 and $1,000 each). **Underwriter**—None. **Proceeds**—To pay obligations, for expansion and working capital. **Office**—60 East 42nd Street, New York 17, N. Y.

Fosgate Citrus Concentrate Cooperative (Fla.)
June 29 filed 453 shares of class A common stock (par $100); 5,706 shares of 5% class B preferred stock (par $100), cumulative beginning three years from July 10, 1950; 8,000 shares of 4% revolving fund class C stock (par $100); 2,000 shares of 4% revolving fund class C stock (par $50); and 4,000 shares of 4% revolving fund class C stock (par $25). **Price**—At par. **Underwriters**—None. **Proceeds**—To construct and equip frozen concentrate plant at Forest City, Fla.

★ Fuller (D. B.) & Co., Inc., N. Y.
July 26 filed 120,000 shares of 6% cumulative convertible preferred stock (par $15) and 73,598 shares of common stock (par $1). **Withdrawal** — Statement withdrawn on Sept. 27.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

Grand Union Co., New York
Aug. 7 filed 64,000 shares of common stock (par $10) to be issued pursuant to an "employees' restricted stock option plan." **Price** — To be supplied by amendment. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—50 Church St., New York.

Harshaw Chemical Co., Cleveland, O. (10/9)
Sept. 19 filed 40,000 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—McDonald & Co., Cleveland, O. **Proceeds**—For capital expenditures for warehouse facilities.

Helio Aircraft Corp., Norwood, Mass.
July 31 (letter of notification) 7,750 shares of non-cumulative preferred stock (par $1) and 7,750 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$25 per unit ($20 for preferred and $5 for common). **Underwriter**—None. **Proceeds**—For development and promotion expenses. **Office**—Boston Metropolitan Airport, Norwood, Mass.

Herff Jones Co., Indianapolis, Ind.
Sept. 10 (letter of notification) 10,000 shares of class A preference stock (par $1), to be offered to employees. **Price**—At the market or less (approximately $10 per share). **Underwriter**—For unsubscribed shares, City Securities Corp., Indianapolis, Ind. **Proceeds**—To Harry J. Herff, President.

Hex Foods, Inc., Kansas City, Mo.
Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par $100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and

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for common, at $20 per share. **Underwriter** — Prugh, Combest & Land, Inc., Kansas City, Mo., will act as dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

★ Heyden Chemical Corp.
Sept. 14 filed 53,300 shares of convertible second preferred stock (no par) to be offered for subscription by common stockholders of record on Oct. 4 at rate of one preferred share for each 20 common shares held; rights to expire Oct. 18. **Price**—$100 per share. **Underwriters**—A. G. Becker & Co. Inc., Chicago, and R. W. Pressprich & Co., New York. **Proceeds**—For expansion program.

Hollingsworth & Whitney Co. (10/16)
Sept. 25 filed 100,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Harriman Ripley & Co. Inc. **Proceeds**—To finance acquisition of southern timberland and for working capital.

Imperial Brands, Inc.
Aug. 20 (letter of notification) 50,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To purchase additional machinery and equipment and for working capital. **Office**—324 Hindry Avenue, Inglewood, Calif.

Inland Steel Co.
Aug. 27 filed 250,000 shares of capital stock (no par) to be issuable upon exercise of stock option issuable under the company's proposed stock option plan. **Price**—To be 85% of current fair market value of the stock. **Proceeds**—For working capital.

Interstate Finance Co., Salt Lake City, Utah
Aug. 29 (letter of notification) 100,000 shares of voting common stock (par $1) and 50,000 shares of non-voting common stock (par $1). **Price**—$1.10 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—322 Continental Bank Bldg., Salt Lake City, Utah.

Keever Starch Co., Columbus, Ohio
Aug. 1 (letter of notification) 50,400 shares of common stock. **Price** — At par ($5 per share). **Underwriter**—None. **Proceeds**—To finance inventories and to purchase capital equipment. **Office**—538 E. Town St., Columbus, Ohio.

Kingsburg Cotton Oil Co., Kingsburg, Calif.
Aug. 8 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market "between $4.12½ and $4.25 per share." **Underwriter**—The Broy Co., San Francisco, Calif. **Proceeds**—To Leonard A. Gregory and Willie R. Gregory, two selling stockholders.

Las Vegas Thoroughbred Racing Association
Sept. 14 (letter of notification) 20,000 shares of common stock (no par). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For working capital. **Address**—Highway 91 at Vegas Park Highway, Las Vegas, Nev.

Los Angeles Drug Co. (Calif.)
Sept. 12 (by amendment) filed $200,000 of 15-year 5% sinking fund debentures dated Oct. 1, 1951 and due Oct. 1, 1966, and 40,000 shares of capital stock (no par), the latter being offered first to stockholders of record Sept. 17 at rate of ⅘ of a share for each share held; rights to expire on Oct. 15. **Price**—Of debentures, at par (in denominations of $100 each) and of the stock, $10 per share. **Underwriter** — None. **Proceeds** — To increase working capital and to finance expanded merchandise inventory. Statement effective Sept. 14.

★ Louisville (Ky.) Gas & Electric Co. (10/17)
Sept. 26 filed 130,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers and Blyth & Co., Inc. **Proceeds**—For property additions.

MacMillan (H. R.) Export Co., Ltd., Vancouver, B. C.
Sept. 26 filed 2,281,582 shares of class B capital stock (no par) to be offered in exchange for stock of Bloedel Stewart & Welch, Ltd. on the following basis: 44.54596 shares for each ordinary share of Bloedel; two-fifths of a share for each preference share of Bloedel. Following such acquisition, name of MacMillan Export will be changed to MacMillan & Bloedel, Ltd.

Maracaibo Oil Exploration Corp., Dallas, Tex.
Sept. 20 filed 49,500 shares of capital stock to be offered to stockholders at rate of one share for each nine shares held. **Price**—To be supplied by amendment. **Underwriter** — None. **Proceeds** — To acquire new properties and for general corporate purposes.

★ Marine Midland Corp., Buffalo, N. Y.
Sept. 7 filed 223,352 shares of 4¼% cumulative convertible preferred stock (par $50) being offered to common stockholders of record Sept. 28 on basis of one share of preferred for each 25 shares of common stock held; rights to expire Oct. 16. **Price** — $50 per share. **Underwriters**—The First Boston Corp. and Union Securities Corp. of New York; Schoellkopf, Hutton & Pomeroy, Inc. of Buffalo, N. Y.; and Granbery, Marache & Co., New York. **Proceeds**—To permit acquisition of an additional bank or banks, to expand the capital funds of one or more of the constituent banks, and for general corporate purposes. Statement effective Sept. 26.

★ Marine Midland Corp., Buffalo, N. Y. (10/15)
Sept. 21 filed 276,000 shares of common stock (par $5) to be offered in exchange for all outstanding stock of Syracuse Trust Co. at rate of 2¾ shares of such common stock for each share of Syracuse stock (offer subject to acceptance by holders of not less than 80% of stock of Syracuse). **Underwriter**—None.

Microtech Corp., Los Angeles, Calif.
Aug. 23 (letter of notification) 12,500 shares of capital stock. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and other assets useful in manufacture of miniature ball bearings and for working capital for initial operation. **Office**—1706 S. Grand Avenue, Los Angeles, Calif.

Miles Laboratories, Inc., Elkhart, Ind.
Sept. 5 (letter of notification) 2,000 shares of common stock (par $2). **Price**—$16.75 per share. **Underwriter** — W. F. Martin, Inc., Elkhart, Ind. **Proceeds**—To Georgia C. Walker, the selling stockholder. **Offering**—Indefinite.

Mohawk Business Machines Corp.
Sept. 6 (letter of notification) 105,500 shares of common stock (par 10 cents), to be offered to common stockholders (excluding officers and directors), with rights to expire on Oct. 10. **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—47-49 West Street, New York, N. Y.

Mutual Products Co., Minneapolis, Minn.
Aug. 8 (letter of notification) $200,000 of five-year 8% registered debentures. **Price**—At par (in denominations of $100 and multiples thereof). **Underwriter** — None. **Proceeds**—For additions to property and for working capital. **Office**—509 N. Fourth Street, Minneapolis, Minn.

★ Mutual Telephone Co. (Hawaii)
July 27 filed 150,000 shares of common stock (par $10) being offered for subscription by common stockholders of record on or about Sept. 12 on a 1-for-5 basis (and to employees); rights will expire on Oct. 9. **Price**—$10 per share. **Underwriter** — Kidder, Peabody & Co., New York. **Proceeds**—To pay outstanding bills and for construction program. Statement effective Sept. 21.

★ New England Gas & Electric Assn. (10/17)
Aug. 6 filed $6,115,000 of 20-year sinking fund collateral trust bonds, series C, due 1971. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. **Proceeds**—To purchase additional common stocks of five subsidiaries.

Norris Oil Co., Bakersfield, Calif.
Aug. 10 (letter of notification) 500 shares of capital stock (par $1). **Price**—$4.75 per share. **Underwriter**—Walston, Hoffman & Goodwin, Bakersfield, Calif. **Proceeds**—To Arthur W. Scott, Secretary, who is the selling stockholder. No general public offering is planned.

Northern Illinois Corp., DeKalb, Ill.
Sept. 13 (letter of notification) 5,138 shares of common stock (no par). **Price**—At market (not less than $9 per share). **Underwriter** — None. **Proceeds** — For working capital.

Pacific Telecoin Corp., San Francisco, Calif.
Sept. 14 (letter of notification) 59,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—For working capital. **Office**—1337 Mission St., San Francisco, Calif.

Pan American Milling Co., Las Vegas, Nev.
Jan. 24 filed 200,000 shares of common stock. **Price**—At Par ($1 per share). **Underwriter**—None. **Proceeds**—To purchase machinery and equipment, to construct a mill in Mexico and for general corporate purposes. Statement fully effective Aug. 29, 1951.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price**—To be supplied by amendment. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

★ Pennsylvania Electric Co. (10/9)
Aug. 30 filed $5,000,000 of first mortgage bonds due Oct. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers, Drexel & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; A. C. Allyn & Co., Inc.; The First Boston Corp.; Shields & Co. and R. W. Pressprich & Co. (jointly). **Proceeds** — For construction program. **Bids** — To be opened at 11 a.m. (EST) on Oct. 9 at 67 Broad St., New York 4, N. Y. Statement effective Sept. 27.

★ Pennsylvania Electric Co. (10/9)
Aug. 30 filed 30,000 shares of cumulative preferred stock, series E (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Smith, Barney & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc. **Proceeds**—For sale of preferred, together with $3,300,000 to be received from Associated Electric Co. for 165,000 common shares, will be used to repay a $2,500,000 bank loan and the remainder for new construction. **Bids** — To be opened at 11 a.m. (EST) on Oct. 9 at 67 Broad St., New York 4, N. Y. Statement effective Sept. 27.

Philadelphia Suburban Transportation Co.
June 11 (letter of notification) $300,000 of 4½% convertible debentures of 1967 (each $100 principal amount convertible into three shares of common stock). **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital. **Office**—69th Street Terminal, Upper Darby, Pennsylvania.

Phoenix-Campbell Corp., N. Y.
Sept. 20 filed 203,000 shares of capital stock (par $1) and 100,000 warrants. Of the 203,000 shares, 100,000 will be reserved against the warrants and 3,000 shares have been purchased by the promoters. **Price**—For stock, $10 per share; for warrants, 5 cents each. **Underwriter**—Morris Cohon & Co., New York. **Proceeds**—To acquire an interest in so-called "special situations" and for working capital.

Pittsburgh Plate Glass Co.
June 27 filed 450,000 shares of common stock (par $10) to be offered to certain employees of the company and its subsidiaries under a stock option plan. **Price**—At 85% of the market price on the New York Stock Exchange at time options are granted. **Underwriter**—None. **Proceeds**—For working capital.

Pubco Development, Inc., Albuquerque, N. M.
Sept. 18 filed 605,978 shares of common stock to be offered for subscription by stockholders of Public Service Co. of New Mexico between Jan. 1, 1955 and March 31, 1955 at rate of one share of Pubco Development for each Public Service common share held of record Oct. 1, 1951. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To be used by Public Service in general fund. **Business**—To prospect for oil and gas.

★ Public Service Co. of Indiana, Inc. (10/8)
Sept. 19 filed 345,662 shares of common stock (no par) to be offered to stockholders of record Oct. 8 through subscription on a 1-for-10 basis; rights to expire on Oct. 24. **Price**—To be supplied by amendment. **Underwriter**—To be named later. **Proceeds**—For property additions.

★ Public Service Electric & Gas Co. (10/16)
Sept. 26 filed 249,942 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. **Proceeds**—For plant additions and improvements and to reimburse treasury for expenditures made for such purposes and for retirement of long-term debt.

Ritchie Associates Finance Corp. (11/1)
Sept. 18 (letter of notification) $200,000 of 6% 15-year debentures, dated July 1, 1951, to be issued in multiples of $100. **Underwriter**—Cohu & Co., New York. **Proceeds**—To retire debts and purchase building. **Office**—2 East Church St., Frederick, Md.

★ Robbins Mills, Inc., New York (10/17)
Sept. 25 filed 166,864 shares of series A cumulative preferred stock (par $50) to be offered for subscription by common stockholders at rate of one share of preferred stock for each five shares of common stock held. **Price**—To be supplied by amendment. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds** — For working capital.

★ Rockland Light & Power Co. (10/24)
Sept. 21 filed $6,000,000 of first mortgage bonds, series D, due 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co., Union Securities Corp. and White, Weld & Co. (jointly); Lehman Brothers and A. C. Allyn & Co. (jointly); Stone & Webster Securities Corp.; Carl M. Loeb, Rhoades & Co. and Equitable Securities Corp. (jointly); W. C. Langley & Co.; Estabrook & Co. **Proceeds**—To reduce bank loans and for construction program. **Bids**—Expected to be received on or about Oct. 24.

Rohr Aircraft Corp., Chula Vista, Calif.
Aug. 10 (letter of notification) 8,000 shares of capital stock (par $1). **Price**—At market (estimated at $12.50 per share). **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif. **Proceeds**—To Fred H. and Shirley B. Rohr and J. E. and Esther D. Rheim, who are the selling stockholders.

Roper (Geo. D.) Corp.
Aug. 8 (letter of notification) 4,000 shares of common stock (par $5). **Price** — $24.75 per share. **Distributor** — Merrill Lynch, Pierce, Fenner & Beane, Chicago, Ill. **Proceeds**—To Grace Y. Roper, the selling stockholder. **Office**—340 Blackhawk Park, Rockford, Ill.

Security Finance, Inc., Washington, D. C.
Aug. 14 (letter of notification) $100,000 of 5-year 8% debenture bonds. **Underwriter** — None. **Proceeds**—For purchase of second trust notes secured on District of Columbia real estate. **Office** — 1115-15th St., N. W., Washington, D. C.

Skyway Broadcasting Co., Inc., Ashville, N. C.
Sept. 10 (letter of notification) 6,000 shares of common stock. **Price**—$50 per share. **Underwriter**—None. **Proceeds**—For construction and operating capital for a proposed television station.

Snoose Mining Co., Hailey, Idaho
July 19 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Underwriter**—E. W. McRoberts & Co., Twin Falls, Ida. **Proceeds**—For development of mine.

Southwestern Associated Telephone Co.
June 15, filed 17,500 shares of $5.50 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York, and Rauscher, Pierce & Co., Inc., Dallas, Texas. **Proceeds**—To retire $1,500,000 of bank loans and the balance added to general corporate funds. **Offering** — Postponed.

Stix, Baer & Fuller Co. (10/8-9)
Sept. 19 filed 216,694 shares of common stock (par $5), of which 73,294 shares will be for the account of the company and will be offered for subscription by stockholders of record Oct. 8 or Oct. 9, viz: by preferred stockholders on a 1-for-5 basis and by common stockholders on a 1-for-10 basis, with rights to expire on or about Oct. 17; the remaining 143,400 shares will be for the account of members of the Baer and Fuller families. **Price**—To be supplied by amendment. **Underwriter**—Goldman, Sachs & Co., New York. **Proceeds**—For working capital to compelte parking facilities and to repay loans.

★ Sundstrand Machine Tool Co. (10/8)
Sept. 21 filed 94,064 shares of common stock (par $5), to be offered for subscription by common stockholders at rate of one share for each four shares held on or about Oct. 8; rights to expire Oct. 22. **Price**—To be supplied by amendment. **Underwriters**—Shields & Co., New York; and Bacon, Whipple & Co. and Rodman & Linn of Chicago. **Proceeds**—For plant improvements and working capital.

Texas Southeastern Gas Co., Bellville, Tex.
May 16 (letter of notification) 19,434 shares of common stock to be offered to common stockholders through transferable warrants. **Price** — At par ($5 per share) **Underwriter**—None. **Proceeds**—For working capital.

Tiger Minerals, Inc., San Antonio, Tex.
Aug. 20 (letter of notification) 15,000 shares of common stock (no par), of which 5,000 will be offered to stockholders through warrants at $10 per share, and 10,000 shares to stockholders under pre-emptive rights at $15 per share; unsubscribed shares to be sold to public at $15 per share. **Underwriter**—None. **Proceeds**—To engage in the oil and gas business, to develop and explore mineral leases now owned by company, and to acquire, explore and develop new mineral leases. **Office** — 809 Alamo National Bldg., San Antonio, Tex.

Trade Mark Service Corp. (Del.)
Sept. 7 (letter of notification) 2,000 shares of preferred (non-voting) stock (par $100) and 2,000 shares of common (voting) stock (no par) to be offered in units of one preferred and one common share. **Price**—$100 per unit. **Underwriter**—None. **Proceeds**—To acquire minority stock of Ney York corporation of same name and for working capital. **Office**—233 Broadway, New York.

Transgulf Corp., Houston, Tex.
Sept. 18 (letter of notification) 8,000 shares of capital stock (par 10 cents). **Price**—$1.25 per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—To Gearko, Inc., New York.

United Canadian Oil Corp., Washington, D. C.
July 31 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For exploration and drilling activities.

United States Gasket Co.
July 25 (letter of notification) $100,000 to $200,000 of 4% or 6% convertible preferred stock, or a mortgage loan of that amount. **Underwriter**—None. **Proceeds**—To erect new plants, and purchase equipment. **Office**—602 North 10th Street, Camden, N. J.

Utah Power & Light Co. (10/29)
Aug. 9 filed $9,000,000 first mortgage bonds, due Oct. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler; First Boston Corp., and Blyth & Co., Inc. (jointly); Union Securities Corp., and Smith, Barney & Co. (jointly). **Proceeds**—To repay bank loans and for construction program. **Bids**—To be received up to noon (EST) on Oct. 29. Statement effective Sept. 5.

Viking Plywood & Lumber Corp., Seattle, Wash.
July 9 (letter of notification) 37,500 shares of common stock (no par), to be sold in minimum units of 125 shares to present officers, directors and stockholders. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To permit acquisition of 50% of capital stock of Snellstrom Lumber Co., Eugene, Ore. **Office**—1411 Fourth Avenue Building, Seattle, Wash.

★ Warren Petroleum Corp. (10/9)
Sept. 19 filed $15,000,000 sinking fund debentures due 1966 (subordinate), convertible through Oct. 1, 1961. **Price**—To be supplied by amendment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—To be used to purchase $4,750,000 note of Devonian Co. held by Gulf Oil Corp. at face amount plus accrued interest and stock of Devonian Co., and for working capital.

★ West Texas Utilities Co. (10/30)
Sept. 24 filed $8,000,000 of first mortgage bonds, series C, due Nov. 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); The First Boston Corp.; Kidder, Peabody & Co.; W. C. Langley & Co.; Union Securities Corp.; Equitable Securities Corp.; Harriman Ripley & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To retire bank loans and for construction program. **Bids**—Expected to be reeeived Oct. 30.

★ West Virginia Coal & Coke Corp. (10/16)
Sept. 25 filed 80,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Underwriters**—The First Boston Corp. and Tucker, Anthony & Co. **Proceeds**—For expansion program.

West Virginia Pulp & Paper Co. (10/16)
Sept. 24 filed $20,000,000 20-year sinking fund debentures due Oct. 1, 1971. **Price**—To be supplied by amendment. **Underwriter**—Harriman Ripley & Co., Inc. **Proceeds**—For improvements and additions to plant and equipment.

Western Air Lines, Inc., Los Angeles, Calif.
Sept. 17 filed 25,000 shares of capital stock (par $1) under option at $9.37½ per share since Dec. 10, 1946 to T. C. Drinkwater, President. Agreement provides that, upon request of Mr. Drinkwater, the company agrees to register the optioned shares to the end that he may be in a position promptly to exercise his rights under the option and to transfer and dispose of any of the shares acquired thereunder which he may wish to dispose of. (The stock sold at $14.50 per share on Sept. 17 on the New York Stock Exchange.) **Underwriter**—None. **Proceeds**—For working capital. ($9.37½ per share).

Western Reserve Life Insurance Co.
June 12 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by present stockholders at rate of one share for each two shares held. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For financing expansion program. **Office**—1108 Lavaca Street, Austin, Tex.

Wilcox-Gay Corp., Charlotte, Mich.
Sept. 13 (letter of notification) 165,250 shares of common stock (of which 82,625 shares represent stock to be issued on exercise of stock purchase warrants issued in connection with sale of 110,000 shares on or about Oct. 24). **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital.

Wilson Brothers, Chicago, Ill.
Aug. 3 filed $2,200,000 of 5% sinking fund debentures due Aug. 1, 1966, with non-detachable common share purchase warrants for the purchase of 154,000 shares of common stock. **Price**—To be supplied by amendment. **Underwriter**—Blair, Rollins & Co., Inc., New York. **Proceeds**—To pay off outstanding indebtedness and for other corporate purposes. **Offering**—Indefinitely postponed.

★ Wisconsin Michigan Power Co. (10/22)
Sept. 25 filed $3,500,000 of first mortgage bonds due 1981. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Goldman, Sachs & Co. (jointly); Dillon, Read & Co. Inc.; Hemphill, Noyes, Graham, Parsons & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros & Hutzler (jointly). **Proceeds**—From sale of bonds and $2,000,000 of common stock (latter to Wisconsin Electric Power Co., parent) to be used for new construction and to repay bank loans. **Bids**—Expected to be received on Oct. 22.

Prospective Offerings

Air Reduction Co., Inc.
Sept. 12 it was announced company plans to issue and sell first to common stockholders about $25,000,000 of cumulative convertible preferred stock. **Underwriters**—Morgan Stanley & Co. and Harriman Ripley & Co., Inc. **Proceeds** — For plant expansion and for other general corporate purposes. **Offering**—Expected in November.

● Alleghany Ludlum Steel Corp.
Oct. 2, it was announced that if stockholders on Dec. 4 approve a proposal increasing the authorized indebtedness to $40,000,000 from $20,000,000, the company proposes to issue and sell about 81,000 shares of convertible preferred stock to common stockholders, with probably The First Boston Corp. underwriting any unsubscribed shares. It is also planned to borrow $5,000,000 during 1952 under arrangements previously made with seven institutional investors. In addition, a bank loan or loans totaling about $8,000,000 is contemplated. The proceeds are to be used for the company's expansion program.

American Consolidated Freightways (10/23)
Sept. 14 it was reported that there may shortly be a public offering of about 100,000 shares of common stock. **Underwriters** — Probably Blyth & Co., Inc., Walston, Hoffman & Goodwin and Shields & Co.

★ Atlantic Coast Line RR.
Sept. 14 it was stated that the company may refund its outstanding $22,388,000 first consolidated mortgage 4% bonds due July 1, 1952. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. Offering expected some time in November.

Bing & Bing, Inc.
Aug. 30 it was reported company is contemplating sale of additional common stock following approval of 3-for-1 stock split (approved Sept. 5.) Traditional underwriter: Lehman Brothers.

Canadian Atlantic Oil Co., Ltd.
Aug. 7, it was reported company expects to file in the near future a registration statement with the SEC covering approximately 1,150,000 shares of common stock (par $2), following merger, which will be voted upon Sept. 4, into Atlantic Oil Co., Ltd. (a subsidiary of Pacific Petroleums, Ltd.), of Princess Petroleums, Ltd. (an affiliate of Pacific Petroleums) and Allied Oil Producers, Ltd., the consolidated company to change its name to Canadian Atlantic Oil Co., Ltd. **Underwriters**—Reynolds & Co. and Bear, Stearns & Co., New York.

Central Illinois Light Co.
Aug. 10, it was reported company plans to issue and sell about $7,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—For new construction and to repay bank loans. **Offering**—Expected in September.

Central Maine Power Co.
Sept. 8 it was stated that company plans to issue and sell before Nov. 30, 1951 securities divided about equally between bonds and common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lee Higginson Corp.; Harriman Ripley & Co. Inc. Bidders for common stock: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; Harriman Ripley & Co. Inc. **Proceeds**—To repay up to $7,500,000 bank loans and for new construction.

★ Chicago, Rock Island & Pacific RR. (10/16)
Bids will be received by the company up to noon (CST) on Oct. 16 at the office of the Treasurer, Room 1136, La Salle Street Bldg., Chicago 5, Ill., for the purchase from it of $5,250,000 equipment trust certificates, series K, to be dated Nov. 1, 1951 and to mature in 30 equal semi-annual intsalments from May 1, 1952 to Nov. 1, 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago & Western Indiana RR.
June 2 it was reported company expects to be in the market late this year or early in 1952 with a new issue of approximately $70,000,000 of first mortgage bonds, due 1981, of which about $65,000,000 will be sold initially. **Price**—Not less than par. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co. **Proceeds**—To refund $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to redeem $13,747,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962. The remainder will go towards property improvements, etc.

★ Colorado Fuel & Iron Corp.
Sept. 26, Charles Allen, Jr., Chairman, announced that the company plans to issue and sell $30,000,000 of 4¼% first mortgage bonds due 1972 and $10,000,000 of 15-year debentures. The former issue may be placed privately and the latter issue offered publicly through Allen & Co., New York. The proceeds are to be used to redeem $14,367,500 of outstanding first mortgage 4% bonds and the remainder used to pay for construction of a new mill at Pueblo, Colo. Stockholders will vote Nov. 14 on approving financing program.

Colorado Interstate Gas Co.
Aug. 20 it was reported that the holdings of the Union Securities Corp. group of stock of Colorado Interstate (531,250 shares) will probably be sold publicly in October or November.

Commonwealth Edison Co., Chicago, Ill.
Sept. 7 it was announced that consideration is now being given to offering to common stockholders the right to subscribe to from 1,500,000 to 1,750,000 shares of convertible preferred stock (par $25). Stockholders will vote Oct. 25 on increasing common stock (par $25) from 16,000,000 shares to 24,000,000 shares and on authorizing 5,000,000 shares of preferred stock (par $25). **Underwriters**—Glore, Forgan & Co. and The First Boston Corp., both of New York. **Proceeds**—To be used for construction program. It is expected that approximately $50,000,000 will be needed by the end of 1951.

Consolidated Edison Co. of New York, Inc.
March 23 company applied to New York P. S. Commission for authority to issue and sell $25,000,000 of first and refunding mortgage bonds, series H, due May 1, 1981 (in addition to $40,000,000 series G bonds filed with the SEC on March 30). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Proceeds** — To redeem a like amount of Westchester Lighting Co. 3½% general mortgage bonds due 1967. **Offering**—Postponed.

● Consolidated Grocers Corp.
Sept. 21 Nathan Cummings, Chairman, announced company will undertake financing of $5,000,000 to $10,000,000 in connection with plans for expanding output of its eight divisions. Traditional underwriter: A. C. Allyn & Co., Inc., Chicago, Ill. Form or method of financing not determined as yet.

Continental Can Co., Inc.
Sept. 13 it was announced that company plans to issue and sell $15,000,000 of debentures and to offer stockholders rights to subscribe for about 105,000 shares of cumulative convertible second preferred stock. **Underwriters**—Goldman Sachs & Co. and Lehman Brothers, both of New York. **Proceeds**—For expansion program. **Registration**—Expected to be filed early in October.

Cott Beverage Corp., New Haven, Conn.
Aug. 22 it was stated that the company plans issuance and sale of 30,000 shares of preferred stock (par $10), each share to carry a bonus of common stock. **Underwriter**—Ira Haupt & Co., New York. **Proceeds**—For expansion program.

Denver & Rio Grande Western RR.
April 12, Wilson McCarthy, President, stated that due to prevailing market conditions, the company has postponed to an undetermined date the taking of bids for the purchase of $40,000,000 first mortgage bonds to be dated May 1, 1951, and to mature on May 1, 1981. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Bear, Stearns & Co. (jointly). **Proceeds** — Together with treasury funds, to redeem on June 1, 1951, $35,062,200 outstanding first mortgage 3%-4% bonds, series A, and $8,666,900 of Denver & Salt Lake income mortgage 3%-4% bonds, both due Jan. 1, 1993.

Derby Gas & Electric Corp.
July 16 corporation received SEC authority to issue and sell $900,000 of debentures to mature July 1, 1957 (placed privately with an institution) but reserved jurisdiction over the proposed issuance of approximately 12,500 additional shares of common stock (latter to be offered to public pursuant to a negotiated transaction). To be selected through competitive negotiation. Prob-

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able bidders: Allen & Co.; Union Securities Corp.; Smith Ramsay & Co.; Hincks Bros. and Paine, Webber, Jackson & Curtis (jointly). **Proceeds**—To be applied toward 1951 construction program. **Offering** — Expected in October.

Detroit Edison Co.
March 19 it was announced company plans to sell approximately $35,000,000 of first mortgage bonds early this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc., and Spencer Trask & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp.; Dillon, Read & Co. Inc. **Proceeds** — For construction program.

Dobeckmun Co.
Sept. 20 it was stated that company may probably offer in November or December 90,000 additional shares of common stock. **Underwriter**—Blyth & Co., Inc. **Proceeds**—For expansion program.

El Paso Natural Gas Co.
Sept. 18 stockholders approved an increase in the authorized first preferred stock from 100,000 to 300,000 shares, the second preferred stock from 200,000 to 300,000 shares and the common stock from 3,800,000 to 5,000,000 shares; also authorized an increase in the aggregate principal amount of bonds issuable under the company's indenture of mortgage, dated June 1, 1946, from $157,000,000 to $300,000,00. **Traditional Underwriter** —White, Weld & Co., New York.

★ Family Finance Corp.
Sept. 22 it was announced stockholders will vote Oct. 16 on approving an increase in the authorized common stock (par $1) from 2,000,000 shares to 2,500,000 shares, and in the authorized preference stock (par $50) from 150,000 shares to 200,000 shares. The company plans to sell some of the preference stock which may have a convertible feature. The proceeds will be used to increase working capital. **Traditional underwriters:** Merrill Lynch, Pierce, Fenner & Beane and G. H. Walker & Co.

★ Florida Power & Light Co. (11/14)
Sept. 14 it was stated company expects to issue and sell $10,000,000 of 30-year first mortgage bonds. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc.; Shields & Co.; White, Weld & Co.; Lehman Brothers. **Proceeds**—For new construction and equipment. **Bids**—Expected to be received at 12 noon (EST) on Nov. 14. **Registration**—Tentatively scheduled for Oct. 10.

★ Goodall-Sanford, Inc.
Oct. 2 stockholders approved creation of 80,000 shares of convertible preferred stock (par $50) and increased the authorized common stock to 850,000 shares from 600,000 shares. It is planned to issue and sell the preferred shares and up to $3,000,000 of debentures. **Underwriter**—Union Securities Corp., and W. C. Langley & Co. **Proceeds** — To reduce bank loans. **Offering** — Expected in latter part of October.

Gulf States Utilities Co. (11/20)
Sept. 22 it was reported that the company plans to offer $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Lehman Brothers; Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly. **Proceeds**—To pay off short-term loans and to provide the company with funds to carry forward its current construction program to the Spring of 1952, at which time company expects to undertake additional financing. **Bids**—Expected to be opened on Nov. 20.

Hahn Aviation Products, Inc.
Aug. 24 it was announced company proposes to offer 12,500 additional common stock (par $1), in addition to 17,500 shares recently offered. **Underwriter** — None. **Proceeds** — For engineering, acquisition of machinery and other corporate purposes. **Office**—2636 No. Hutchinson St., Philadelphia 33, Pa.

Hathaway (C. F.) Co., Waterville, Me.
Aug. 18, it was stated that the company plans to issue and sell 12,000 additional shares of 5.8% preferred stock (par $25), which will carry warrants entitling the holders thereof to purchase 1½ shares of common stock. Stockholders will be asked to increase the authorized number of shares of preferred stock from 20,000 to 40,000. **Price**—To be named later. **Underwriter**—Probably H. M. Payson & Co., Portland, Me. **Proceeds**—For working capital.

Illinois Bell Telephone Co.
June 27 W. V. Kahler, President, announced that this company (approximately 99.31% owned by American Telephone & Telegraph Co.) plans issuance and sale, sometime before the end of the year, of 682,454 additional shares of capital stock to its stockholders. **Underwriter**—None. **Proceeds**—To repay short-term loans and for new construction.

Interstate Petroleum Co.
Sept. 11 it was reported that the sale of 38,433 shares of class B stock has been temporarily postponed. **Underwriter**—White, Weld & Co., New York.

Jacobsen Manufacturing Co., Racine, Wis.
Sept. 21 it was stated that company plans to issue and sell approximately 120,000 additional shares of common stock. **Underwriters**—A. C. Allyn & Co., Inc. and Shillinglaw, Bolger & Co., both of Chicago, Ill. **Proceeds**—For working capital.

Kansas Gas & Electric Co.
May 24 Murray F. Gill, Chairman of the board, announced that the company's present construction program calls for expenditures of more than $8,000,000 in 1951. To finance part of the expansion program, company may sell $5,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). There is a possibility that company may also decide to refund its outstanding $16,000,000 first mortgage 3⅝% bonds due 1970 (held by a group of insurance companies) and $5,000,000 first mortgage 3⅛% bonds due 1978.

Lehmann (J. M.) Co. (N. J.)
Sept. 1 it was reported that the Office of Alien Property expects to call for bids in October on all of the outstanding stock of this corporation.

Long Island Lighting Co. (11/1)
Sept. 20 it was announced the company plans to offer common stockholders rights to subscribe to 524,949 additional common shares in ratio of one new share for each seven shares held. It is anticipated that the subscription period will start around Nov. 1. **Price**—To be decided later. **Underwriters** — Blyth & Co., Inc. and The First Boston Corp. **Proceeds** — To repay bank loans and for property expansion. **Meeting**—Stockholders on Oct. 22 will vote on approving proposed financing.

Long Island Lighting Co.
Sept. 20 it was announced the company plans, at the time of the common stock offering (see above), to sell approximately $10,000,000 of preferred stock and to follow this with the sale of about $25,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders for preferred: Blyth & Co., Inc.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc.; Smith, Barney & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly). Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.; The First Boston Corp.; Equitable Securities Corp.; Union Securities Corp.; White, Weld & Co. **Proceeds**—To retire approximately $14,500,000 of long term debt of former securities, to repay bank loans and for construction program. **Meeting** —Stockholders will vote Oct. 22 to approve financing.

Louisville & Nashville RR. (10/4)
Bids will be received by the company at 71 Broadway, New York, N. Y., up to 11 a.m. (EST) on Oct. 4 for the purchase from it of $7,800,000 equipment trust certificates, series K, to be dated Sept. 15, 1951 and to mature in 15 equal annual instalments to and including Sept. 15, 1966. Probable bidders: Halsey, Stuart & Co. Inc.; The Hanover Bank; Salomon Bros. & Hutzler; The Chase National Bank of the City of New York; Harriman Ripley & Co., Inc.; Lazard Freres & Co.

McKesson & Robbins, Inc.
May 24 it was announced stockholders will vote Oct. 23 on a proposal to increase authorized common stock by 500,000 shares to 2,500,000 shares in order to provide for a probable offering of additional stock to common stockholders. Probable underwriter: Goldman, Sachs & Co., New York. Proceeds will be added to working capital.

Mengel Co.
Aug. 10, Alvan A. Voit, President, stated that the company plans to spend from $15,000,000 to $20,000,000 for expansion, but that plans for financing have not yet been completed. Traditional underwriter—F. S. Moseley & Co.

• Muhlens (Ferd.), Inc., N. Y. (10/25)
Bids will be received at the Office of Alien Property, Department of Commerce, 120 Broadway, New York 5, N. Y., by 1:30 p.m. (EST) on Oct. 25 for the purchase from The Attorney General of the United States of 1,000 shares of capital stock (no par) at public sale, as an entirety. These shares constitute 100% of the issued and outstanding stock.

New England Power Co.
Sept. 6 it was reported that company plans to sell about 50,000 shares of preferred stock this Fall. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Merill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for construction program.

New York Telephone Co.
Sept. 10 the company announced it plans to raise next year about $100,000,000 from new financing for its construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Ohio Edison Co.
Sept. 26 the Bankers Trust Co., New York, as distribution agent for the common stock of The Commonwealth & Southern Corp., intends to sell not more than 21,850 shares of common stock of Ohio Edison Co. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp.

★ Pacific Gas & Electric Co. (10/22-27)
Sept. 19 the directors authorized the issuance and sale of 1,500,000 shares of redeemable first preferred stock (par $25). **Price**—To be announced later. **Underwriter** —Blyth & Co., Inc. **Proceeds**—To finance in part the company's expansion program. **Offering**—Expected week of Oct. 22.

★ Pacific Power & Light Co.
June 29 it was announced company plans issuance and sale of $15,000,000 of mortgage bonds in the early part of 1952. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co. Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and The First Boston Corp. (jointly); Union Securities Corp.; Kidder, Peabody & Co.; Blyth and Co., Inc., White, Weld & Co. and Harris, Hall & Co., Inc. (jointly). **Proceeds**—To repay bank loans and for new construction (latter estimated to cost $26,450,000). Company has a revolving bank credit of $16,000,000.

Pacific Telephone & Telegraph Co. (11/20)
Aug. 15 it was announced company plans to issue and sell $30,000,000 of 30-year debentures and 633,274 additional shares of common stock at par ($100 per share) to present stockholders at rate of one new share for each nine shares held. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers and Union Securities Corp. (jointly); White, Weld & Co. Proceeds will be used to repay bank loans and for expansion program. **Bids**—Expected to be received on Nov. 20.

Parkersburg Rig & Reel Co.
Aug. 1 A. Sidney Knowles, Chairman and President, announced that the directors have approved in principle a plan to offer a modest amount (not exceeding $300,000) of common stock for subscription by common stockholders. This may involve the issuance of 24,700 additional shares on a one-for-eight basis. There are presently outstanding 197,600 shares of $1 par value. **Probable Underwriter**—H. M. Byllesby & Co., Chicago, Ill. **Proceeds**—For working capital.

Penn Electric Switch Co., Goshen, Ind.
Sept. 21 it was reported that company plans to issue and sell 100,000 additional shares of common stock. **Underwriter**—F. S. Moseley & Co., Boston, Mass. **Proceeds**—For expansion program and working capital.

Pennsylvania Water & Power Co.
July 25, stockholders approved issuance of 78,507 shares of cumulative preferred stock (par $100). Proceeds will be used for expansion program.
Aug. 7, it was reported company may issue and sell $8,000,000 to $10,000,000 of first mortgage bonds. Probable bidders may include: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co. Proceeds will be used for expansion program. Financing not considered imminent.

• Philadelphia Electric Co.
Sept. 30 company announced that about $200,000,000 will have to be raised through the sale of additional securities, spaced at intervals, and in amounts which will permit ready absorption by the investment market. The overall construction program has already cost $217,000,000, and will require expenditures of about $365,000,000 more in the years 1951 to 1956.

• Public Service Co. of New Hampshire
Sept. 25, it was reported company may issue and sell late in November $4,000,000 to $5,000,000 additional common stock. Probable bidders: Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

Public Service Co. of North Carolina, Inc.
July 12 it was announced company plans to issue and sell several million dollars of first mortgage bonds in the Fall. In July last year, $1,200,000 of bonds were placed privately with two institutional investors.

Rochester Gas & Electric Corp.
Aug. 1 it was announced that company expects to issue $5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately. July 18, it was reported that the company expects to raise money through the sale of some preferred stock later this year. **Underwriter**—Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a $10,000,000 construction program the company has budgeted for the next two years.

Ryan Aeronautical Co., San Diego, Calif.
Aug. 4 it was announced company plans to increase its authorized capital stock (par $1) from 500,000 to 2,000,000 shares in order to place it in a position to do appropriate financing of some form of its own securities if and when advantageous to the company. The new financing may take the form of a general offering for sale to the public or granting of rights to stockholders; or the reservation for conversion of long-term indebtedness which could be issued with provision for convertibility into common stock. The company presently has outstanding 439,193 shares of capital stock, of which 45,350 shares are held by the wholly owned subsidiary, Ryan School of Aeronautics.

Schering Corp.
Oct 3 it was reported that the sale of the company's entire common stock issue (440,000 shares) was not expected for at least two months. The sale will be made to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company formed by United States & International Securities Corp., Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

★ Shellmar Products Corp. (10/22-27)
Sept. 20 it was stated company plans to issue and sell 100,000 shares of convertible preferred stock (par $50). **Underwriter**—Glore, Forgan & Co., New York.

South Jersey Gas Co.
April 24 Earl Smith, President, announced company plans a bond issue of more than $8,000,000 by fall of this year. **Underwriters**—May be determined by com-

petitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc. **Proceeds**—To refund the presently outstanding $4,000,000 of 4⅛% first mortgage bonds and repay outstanding short-term bank notes which are due before the end of the year.

Southern California Edison Co.
Aug. 29 it was announced company may have to raise approximately $49,900,000 more through additional financing to take care of its 1951-1952 construction program. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the $30,000,000 issue of 3⅛% first and refunding mortgage bonds which were sold last week. The nature, amounts and timing of the new financing cannot now be determined, and will depend in part on market conditions existing from time to time and may include temporary bank loans.

Southern California Gas Co.
April 4, the company indicated it would this year be in the market with $18,000,000 of senior securities. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.) (jointly). **Offering**—Expected in the Fall.

Southern Co.
Sept. 26 it was announced that Bankers Trust Co., as distribution agent for the common stockholders of The Commonwealth & Southern Corp., intends to sell in the near future, at competitive bidding, not more than 127,-200 shares of Southern Co. common stock. Probable bidders: Lehman Brothers; Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); Blyth & Co., Inc.

Southern Natural Gas Co.
July 31 it was announced company has filed an application with FPC for permission to construct additional facilities to cost an estimated $13,641,000, of which approximately $9,187,000 is expected to be spent in 1951. Sept. 13 company announced it plans to offer to common stockholders of record about Oct. 4 the right to subscribe for additional common stock at rate of one share for each 10 shares held; rights to expire Oct. 23. **Price** $8.50 per share.

Sylvania Electric Products, Inc.
Sept. 18 it was reported company is considering about $40,000,000 of new financing to consist of bonds and a convertible issue. **Underwriter**—Paine, Webber, Jackson & Curtis.

★ **Texas Utilities Co.**
Sept. 24 it was reported company may issue and sell around 400,000 additional shares of common stock early in 1952. Probable bidders: The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Tide Water Power Co.
Sept. 17 it was reported company has applied to the North Carolina Utilities Commission for permission to borrow $1,500,000 on 3% notes. These notes would be refunded through the sale of common or preferred stock. Traditional underwriters: Union Securities Corp. and W. C. Langley & Co., New York. Proceeds from notes to be used to pay for construction costs.

United Gas Corp.
Aug. 1, N. C. McGowan, President, announced that "it will be necessary to arrange for an additional $50,000,000 to complete the total financing, and it is presently anticipated this will be done by the sale of first mortgage and collateral trust bonds during the latter part of the year." **Underwriters**—To be determined by competitive bidding. Bidders for an issue of like amount sold on July 24 were Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly). **Proceeds**—For expansion program of United Gas System and for other corporate purposes.

Virginia Electric & Power Co. (12/10)
Sept. 25, Jack G. Holtzclaw, President, announced the company proposes to issue and sell $20,000,000 of first and refunding mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; Union Securities Corp.; White, Weld & Co. **Proceeds**—For construction program. **Bids**—Expected to be opened on or about Dec. 10.

Western Pacific RR. Co. (10/9)
Sept. 19 the RFC invited bids for the purchase from it of 17,778 shares of 5% participating preferred stock (par $100). Probable bidders may include: Bear, Stearns & Co.; and Hornblower & Weeks, White, Weld & Co., Merrill Lynch, Pierce, Fenner & Beane and Stein Bros. & Boyce (jointly). **Bids**—To be received by the RFC on Oct. 9 at 143 Liberty Street, New York 6, N. Y., or 811 Vermont Avenue, N. W., Washington 25, D. C.

● **Westinghouse Electric Corp.**
Sept. 26, it was announced stockholders will vote Dec. 14 on increasing authorized indebtedness to $500,000,000 from $150,000,000 in connection with a $296,000,000 expansion program. Company plans sale of debt securities the type and amount of which are undermined (may be private). Traditional underwriter: Kuhn, Loeb & Co., New York.

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp, President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

Our Reporter's Report

With the Treasury list showing signs of "levelling off" after its recent slide which carried long bonds down 1 to 1¼ points, sentiment in the new issue market appears a trifle better at the moment.

High-grade corporates, while easing with the government list, behaved relatively better with the exception of one or two recent and, accordingly, unseasoned issues.

But the upshot of events during the last fortnight has been to render institutional buyers even more wary and cautious than they had been for a lengthy period.

However, it was indicated that new issues reaching market this week encountered good reception with demand seemingly more than brisk for the highly rated utility bonds involved.

Observers ascribed this seemingly contradictory set of facts to an unusual twist in the character of buying which made its appearance.

They reported a well-defined shift in the sources of demand for new securities with pension funds and state investment funds providing the chief outlets. In the case of the latter funds, it was noted that the bulk of such buying was for the account of state funds in the Pacific northwest.

Meantime banking houses were preparing for a fairly busy period next week, with the following week giving promise of keeping the new issue pot boiling.

Next Week's Calendar

The week ahead holds the prospects of a busy period with a goodly assortment of new financing scheduled to reach the public offering stage.

Monday will bring to market $15,000,000 of new debentures of the Warren Petroleum Corp., a negotiated deal, and there is also 345,000 shares of common stock of Public Service Co. of Indiana, Inc. on "rights" set for the same day.

On Tuesday three companies will have securities up for bids including $8,000,000 bonds for Arkansas Power & Light Co.; $10,000,000 bonds for Associated Telephone Co. Ltd., and $5,000,000 bonds and 30,000 shares of preferred stock for Pennsylvania Electric.

Another deal on schedule that day involves 216,694 shares of common stock of Stix, Baer & Fuller by way of the negotiated route.

Friday is slated to bring offering of 94,064 shares of common stock of Sundstrand Machine Tool Co., but since Friday is a holiday it was considered possible that operation would be put forward to Monday (Oct. 8).

Plenty of Bids

Investment bankers still are not keen for competitive bidding as a medium of financing. But they have to live and when the "right-sized" deals come along there is plenty of competition, as witness Tuesday's bidding for two utility loans of $15,000,000 each.

Idaho Power Co.'s issue brought out a total of seven group bids the highest for 100.86, specifying a 3¼% coupon. The bid of the runners-up was 100.71 indicating only a nominal cover by the winning group which projected a reoffering price of 101½ to yield 3.16%. Inquiry was reported brisk.

Public Service of Colorado's issue met a barrage of eight bids, the highest at 101.639 for a 3¼% with the second best bid 100.81999 for the same rate. Reoffering here was set at 101.931 to yield 3.15% and again good inquiry was indicated.

Celanese Registers

Another big piece of financing was projected into the picture when Celanese Corp. of America registered with the Securities and Exchange Commission this week to cover $50,000,000 of 25-year sinking fund debentures.

Details will be filed by amendment and the proceeds will be applied to redemption of $19,750,000 of 2¾% serial notes due 1953 to 1958 and for general purposes.

This issue will be handled through direct negotiation and the company's selected bankers already are making preparations for its marketing.

DIVIDEND NOTICES

AMERICAN CAN COMPANY

CANCO

COMMON STOCK

On September 25, 1951 a quarterly dividend of One Dollar per share was declared on the Common Stock of this Company, payable November 15, 1951 to Stockholders of record at the close of business October 25, 1951. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, Secretary

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., September 25, 1951

The Board of Directors has this day declared a quarterly dividend of One Dollar ($1.00) per share, being Dividend No. 155, on the Common Capital Stock of the Company, and an extra dividend of Fifty Cents ($.50) per share on the Common Capital Stock of the Company, both payable December 8, 1951, to holders of said Common Capital Stock registered on the books of the Company at the close of business October 19, 1951.

This declaration plus previous dividends paid this year makes a total of Four Dollars and Fifty Cents ($4.50) per share on the basis of the new stock resulting from the split effective August 1st.

Dividend checks will be mailed to holders of Common Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer.,
120 Broadway, New York 5, N. Y.

DIVIDEND NOTICES

A-M

DIVIDEND NOTICE

AMERICAN-MARIETTA COMPANY

The Board of Directors has declared the following quarterly dividends:

32nd Consecutive Common Dividend

A dividend of 50c per share on the Common Stock, payable November 1, 1951 to Stockholders of record October 19, 1951.

32nd Consecutive Preferred Dividend

A dividend of $1.25 per share on the Preferred Stock, payable November 1, 1951 to Stockholders of record October 19, 1951.

H. J. HEMINGWAY
President

PAINTS • CHEMICALS • METAL POWDERS
ADHESIVES • RESINS • BUILDING PRODUCTS

JOHN MORRELL & CO.

Morrell PRIDE MEATS

DIVIDEND NO. 89

A dividend of Twelve and One-Half Cents ($0.125) per share on the capital stock of John Morrell & Co. will be paid Oct. 30, 1951, to stockholders of record Oct. 10, 1951, as shown on the books of the Company.

Ottumwa, Iowa — George A. Morrell, V. P. & Treas.

NATIONAL DISTILLERS PRODUCTS CORPORATION

NATIONAL DISTILLERS

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 50c per share on the outstanding Common Stock, payable on November 1, 1951, to stockholders of record on October 11, 1951. The transfer books will not close.

THOS. A. CLARK
Sept. 27, 1951. Treasurer

DIVIDEND NOTICES

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of fifty cents (50c) a share on the Capital Stock of the Company, payable October 22, 1951, to stockholders of record at the close of business October 10, 1951.

L. G. CLARK, *Treasurer*
September 26, 1951

VANADIUM CORPORATION OF AMERICA

VANCORAM

420 Lexington Avenue, New York 17

Dividend Notice

At a meeting of the Board of Directors held today, a dividend of sixty cents per share was declared on the common stock of the Corporation, payable November 16, 1951, to stockholders of record at 3:00 o'clock p.m., November 5, 1951. Checks will be mailed

B. O. BRAND, Secretary.

Dated September 24, 1951.

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PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

On September 26, 1951, the Board of Directors declared regular quarterly dividends on Preferred Stock of this corporation, payable to stockholders of record October 15, 1951, as follows:

	Date Payable	Rate Per Share
Preferred Stock, $100 par value		
5% Series	11-1-51	$1.25
5% Sinking Fund Series	11-1-51	$1.25
Preferred Stock, $25 par value		
$1.25 Sinking Fund Series	11-1-51	$0.31¼

B. C. Reynolds

B. C. REYNOLDS, *Secretary*

LEE Rubber & Tire CORPORATION

The Board of Directors has this day declared a regular quarterly dividend of 75c per share and an extra dividend of $1.50 per share on the outstanding capital stock of the Corporation payable October 30, 1951, to stockholders of record at the close of business October 15, 1951. Books will not be closed.

A. S. POUCHOT
Treasurer

September 27, 1951

REPUBLIC RUBBER DIVISION
Youngstown, Ohio, Industrial Rubber Products
LEE TIRE & RUBBER COMPANY OF NEW YORK, INC.
Conshohocken, Pa., Lee Tires and Tubes

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINTON, D. C.—This may not be man-bites-dog calibre news, but it is at least as good as a small timid cat chasing a big vicious dog.

Ordinarily a new, regular, and growing Federal enterprise, except for a few big things like "Social Security," gets insinuated on the Treasury's books something in this manner:

A "simple, non-controversial" bill proposing a new program is brought in. Its expense to the Treasury is virtually nil. It involves, say, only a government guaranty of a loan, and of course it will be self-supporting. Nobody opposes it. It is a perfectly natural development, and it solves a major crying social need—at least that is the line taken by the bill's proponents.

Then it is usually brought up under either unanimous consent or under circumstances suggesting no record vote. Glowing explanations are made of the bill. The overwhelming majority of the House doesn't understand any of its implications and, assured it will cost next to nothing and step on no one's toes, the House or Senate adopts it.

Much of the history of the $70 billion and rising government is steeped in just this pattern, as when a few weeks ago the "Farmers Home Administration" farm mortgage "insurance" (insurance in disguise) lending program was ennobled.

Then, once a little program has been shoe-horned in on the books, it is expanded in its operations and its real or contingent liabilities to the Federal taxpayer are boosted many-fold, year after year, by broadening or "technical" amendments—few of which hit even the patent medicine pages of the papers in the provinces.

* * *

One of these supposedly innocent little enterprises mentioned in this column last week, has been schemed by the House Committee on Agriculture for some time. The same, incidentally, which is building up the "FHA" of the Department of Agriculture into a full-blown scheme whereby eventually the government will be putting out hundreds upon hundreds of millions of dollars to take over "insured" farm mortgages running for 40 years.

The latest enterprise merely provides that, without cost, of course, to you taxpayers, the government will guarantee (at first) up to only $100 millions of loans to put up gigantic fresh fruits and vegetable markets in any of the big metropolitan cities which will have them.

There is a not so little cubicle within the Department, called the "Agricultural Marketing Research Division," which has been paid to worry for several years about the congested conditions of the fresh fruits and vegetable markets in the big cities. The taxpayers' investment in the division is responsible for the $100 million fresh fruits and vegetable markets bill.

The horrible situation exists that many metropolitan area markets are in fact crowded. There are delays in marketing. The congestion of trucks on streets holds up traffic. Farmers are forced to wait their turn. The small spaces mean that there is a waste of labor in handling and cartage. Food spoils, sometimes can't even be sold.

What the committee fails to make clear is that the cities and interests concerned do not seem to want to remedy this devilish situation. The city governments do not want this valuable real estate reduced to a less lucrative tax producer. The owners of the real estate do not want the property to lose its high rental value. Organized labor, likewise, does not want the fruits and vegetables market moved to the suburbs where they can be spacious and commodious, and where easier handling facilities might cut down on the employment of union labor.

So the remedy, of course, is a Federal program to make the cities, by the lure of easy money, do what they don't want to do.

If one were to read the glowing report of the Committee on Agriculture, with its failure to note that anybody opposed the fresh fruits and vegetables bill, he would be surprised that a citizen, a gentleman, or a non-wife beater, could possibly dare to oppose the bill.

Just incidentally, these loans would be geared so that none of these private enterprise for profits boys could get them. They would be sluiced to municipalities and non-profit cooperatives. And also, incidentally, the wise old Department of Agriculture would have its hand in these things at all times to see that they were built and operated just right.

Now in the 81st Congress this thing passed after a too facile explanation without a record vote and, of course, according to the House committee report of this year, it only failed to get through the Senate only because the Senate was too busy to get around to it.

In this case the timid little cat chased the big vicious dog, as it were. Whereas it looked like the usual set-up with a non-record vote passage after the customary facile explanation, some of the boys in the House got suspicious. One member wanted to know why the metropolitan area milk-shed, government-protected milk monopoly couldn't be broken through this device. Several others wanted to know why the government should sponsor another big construction program while materials were tight. Others wanted to know, unconvinced of its supposed lack of cost to the Treasury, why the government should be spending the money.

So the thing, to the surprise of all, was killed by a record vote.

* * *

All the relief you will get from overlapping Federal, state and local taxation because the House "directed" a study to be made on that subject, you will be able to put in your eye with no impairment of vision whatever.

What happened was that an ardent and earnest young fellow, Rep. Henry J. Latham (Rep., N.Y.), proposed that a "select" or special committee of five members be set up to investigate and study the subject of overlapping and duplicating taxation by Federal, state, and local governments. The special committee was supposed to come up with a set of recommendations by the end of the 82nd Congress, or by January 1953.

This proposal came up for a hearing before the Rules Committee of the House, because of the quirk that the Rules Committee must approve all investigations.

When the hearing was opened there was a solid phalanx of opposition from the members of the House taxing, or Ways and Means committee. When somebody proposes to go sniffing into another committee's back yard, then the committee becomes THE committee and all distinctions between Democrats and Republicans vanish. They are all loyal members of the Ways and Means committee when threatened with even the mildest encroachment upon their preserve.

Mr. Latham timidly answered the W&M storm of protest that double taxation was their baby with the plaintive observation that they hadn't noticeably done anything about it. Mr. Latham even was willing to confine the scope of the study to the problem merely of trying to provide unified tax administration and collection, so business men and individuals would not have to fill out forms for two or three taxing bodies, have their books subject to checking from inspectors from two or three levels of government.

So the rule originally proposed by Mr. Latham was amended to provide that the study should be made by the Ways and Means committee.

In such a bobtailed form the resolution was adopted by the committee and, the next day, by the House.

Members of the Ways and Means committee asserted that the basic problem of duplicating and overlapping taxation was the problem of too much taxation, that it would be quite impossible for the Federal government to get out of entire tax fields while government expenditure, and hence the need for taxes, was on the rise. The same is true, they said, for state governments. Furthermore, committee members noted, they have had a proposal for raising taxes almost every year since Caeser was a pup, leastways since Democrats began their long tenure over the affairs of the Federal government.

So the House has "directed" the Ways and Means committee to make an "investigation" of eliminating overlapping state, Federal, and local taxation; the House, by adopting this proposal, has made a pious declaration that something should be done about this difficult problem. If it had not been for the fact that Rep. Latham was a member of the Rules committee, the proposal would not have passed in any form.

The net effect will be that the House Ways and Means committee will probably hire some tax professor to make a study of overlapping taxation. This professor will get about $11,400 per annum for a year and two or three months, and distinction thereafter in the ivy hall league. At the end of that time he will write a report. The report will get a half a column in some of the metropolitan dailies, provided the Budget, the Economic Report, or the war of the moment does not crowd it out of the newspapers.

* * *

Can't say whether the Rules committee will OK having the House pass on the proposition of authorizing its Banking committee to make a very serious investigation in foreign countries of subjects coming under its jurisdiction.

Can't say, either, what the committee will investigate in foreign countries, for the committee hasn't really come around to figuring it out.

Can say, however, how this proposed foreign investigation came about.

Several members of the House Banking committee noted with accuracy that the committee has, unlike most Congressional committees, failed to take advantage of the Legislative Reorganization Act's provision to grace its staff with a whole flock of $10,000 and over "experts."

Likewise these several members also observed with accuracy that the committee has been about the least junketingist committee of Congress.

That establishes their record for being good boys.

Now good boys know that next year, being tough, will mean they need a rest and foreign travel, to win these elections. And home for three months in these times is something worse than Sherman described.

So they figured it was time to shake the contingent fund kitty of the House and go to Europe. Their tentative excuse it to investigate Export-Import bank loans. Assured it would be a friendly and not a rigorous investigation, the E-I bank had to be enthusiastic.

The situation was described in open hearing by a member of the Rules committee who asked the Chairman of the Banking committee, "Can't you fellows arrange to take at least a couple of us members of the Rules committee to Paris, too?"

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I suppose you're getting anxious to clean up now, eh, Mrs. Mulligan?"

Charles Hazlewood With W. C. Langley & Co.

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Charles F. Hazlewood has become associated with the firm.

First California Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Russell E. Carson is now affiliated with First California Company, 647 South Spring Street.